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GOVERNORS'  
CONFERENCE  
PROCEEDINGS

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PROCEEDINGS  
OF THE  
GOVERNORS'  
CONFERENCE

Twenty-fifth  
Annual Session



HELD AT  
SACRAMENTO AND SAN FRANCISCO,  
CALIFORNIA

JULY 24-26, 1933

*Printed in the United States of America by*  
The Suwannee Democrat  
Live Oak, Florida

Fe 16 '34

# ORGANIZATION

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## **EXECUTIVE COMMITTEE.**

Governor John Garland Pollard, Chairman, Virginia.

Governor James Rolph, Jr., California.

Governor Sennett Conner, Mississippi.

Governor John G. Winant, New Hampshire.

Governor George White, Ohio.

## **TREASURER.**

Governor Stanley C. Wilson, Montpelier, Vermont.

## **SECRETARY.**

Former Governor Cary A. Hardee, Live Oak, Florida.



# GOVERNORS' CONFERENCE

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## ARTICLES OF ORGANIZATION

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### ARTICLE I.

The style of this organization shall be the "Governors' Conference."

### ARTICLE II.

Active membership in the Governors' Conference shall be restricted to the Governors of the several States and territories of the United States, the term "Governors" to include Governors-Elect. Ex-Governors shall be received as honorary members and, as such, shall be entitled to all the rights and privileges of active membership except the right of voting.

### ARTICLE III.

The functions of the Governors' Conference shall be to meet yearly for an exchange of views and experiences on subjects of general importance to the people of the several States, the promotion of greater uniformity in State legislation and the attainment of greater efficiency in State administration.

### ARTICLE IV.

The Conference shall meet annually at a time and place selected by the members of the Executive Committee.

### ARTICLE V.

The Conference shall have no permanent president.

A Governor shall be selected by the Executive Committee at the close of each half day's session to preside at the succeeding meeting.

### ARTICLE VI.

There shall be no permanent rules for the government of the Conference in discussion or debate, but the procedure at any session shall be subject to the pleasure of the Governors present.

### ARTICLE VII.

The proceedings of the Conference shall be fully reported and published.

### ARTICLE VIII.

The affairs of the Conference shall be managed by an Executive Committee composed of five members to be chosen by the Con-

## ARTICLES OF ORGANIZATION

ference at the regular annual meeting. They shall hold office until the close of the succeeding regular annual meeting and until their successors are chosen. Vacancies in the Executive Committee may be filled by the remaining members thereof.

## ARTICLE IX.

A secretary and a treasurer shall be elected by the Conference at each annual meeting.

The Secretary shall attend all meetings of the Conference, keep a correct record thereof, safely keep an account for all documents, papers and other property of the Conference which shall come into his hands, and shall perform all other duties usually appertaining to his office or which may be required by the Executive Committee. He shall be paid an annual salary of not to exceed twenty-five hundred dollars and shall be reimbursed his actual and necessary expenses incurred while traveling on the business of the Conference.

The secretary shall annually prepare and submit to the Conference a budget of the expenses for the ensuing year. He shall make all necessary arrangements for a program for the regular annual meeting and shall edit the stenographic reports of the proceedings at all meetings. He shall, also, so far as possible, cooperate and keep in touch with organizations, societies and other agencies designed to promote uniformity of legislation.

## ARTICLE X.

The treasurer shall have the custody of the funds of the Conference, subject to the rules of the Executive Committee. He shall deposit funds of the Conference in its name, shall annually report all receipts, disbursements and balances on hand, and shall furnish a bond with sufficient sureties conditioned for the faithful performance of his duties.

## ARTICLE XI.

Persons not members of the Conference shall not be heard until the regular order of business for the day has been concluded, and then only by unanimous consent. All programs for social entertainment must be approved in advance by the Executive Committee.

## ARTICLE XII.

These articles or any of them may be altered, amended, added to or repealed at any time by a majority vote of all Governors present and voting at any regular annual meeting of the Conference.

# TABLE OF CONTENTS

## MONDAY MORNING SESSION

July 24, 1933

	Page
Invocation by Bishop Armstrong.....	1
Address of Welcome by Hon. James Rolph, Jr....	1
Response by Hon. I. C. Blackwood.....	6
Address, "Relation Between Federal and State Governments," by Hon. George H. Dern, Secretary of War.....	8
Remarks by Mr. Frank Watson.....	17

## TUESDAY MORNING SESSION

July 25, 1933

Address, "Policy of Tax Exemptions," by Hon. Wilbur L. Cross.....	23
Discussion, "Sales Tax," led by Hon. I. C. Blackwood	35

## TUESDAY AFTERNOON SESSION

July 25, 1933

Address, "Enlargement of Executive Authority," by Hon. Paul V. McNutt.....	52
--	----

## BANQUET TUESDAY NIGHT

July 25, 1933

Address, "The National Industrial Recovery Act," by Hon. George H. Dern, Secretary of War....	71
---	----

## WEDNESDAY MORNING SESSION

July 26, 1933

Address, "Unemployment Insurance and Reserve Funds," by Hon. George White.....	80
Address, "Hours of Labor and Minimum Wage," by Hon. John G. Winant.....	94
Remarks by Hon. John G. Pollard.....	105
Executive Session .....	118
Executive Committee Meeting .....	122
Treasurer's Report .....	123
Social Entertainment .....	126





REPORT OF PROCEEDINGS  
Twenty-Fifth Annual  
Conference of Governors

Assembly Chamber, State Capitol,  
Sacramento, California.

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Monday, July 24, 1933, 10:30 A. M.

CHAIRMAN JOHN G. POLLARD: The Twenty-fifth Annual Session of the Governors' Conference will now come to order. The tyranny of the radio enforces rigid economy in the use of words by the presiding officer. I now ask that you stand while Bishop Armstrong delivers the invocation.

BISHOP ARMSTRONG: In the name of the Father, and of the Son, and of the Holy Ghost, Amen. That God may bless the visit of these Governors to our beloved State of California, we will pray:

Our Father who art in Heaven, hallowed be Thy name, Thy kingdom come, Thy will be done on earth as it is Heaven. Give us this day our daily bread, and forgive us our trespasses, as we forgive those who trespass against us, and lead us not into temptation, but deliver us from all evil. Amen.

CHAIRMAN JOHN G. POLLARD: The speech of welcome will now be delivered by the Honorable James Rolph, Jr., Governor of California.

(Applause.)

GOVERNOR JAMES ROLPH, JR.: Your Excellency, the Governor of Virginia, presiding: My fellow Governors: Right Reverend Bishop: Mr. Secretary of War: Members of the Legislature of California: My fellow Californians:

California feels the honor and the responsibility of this great event. With profound appreciation of the distinction conferred upon my native State of California by the visit of the Governors of the States of the United States to hold their Twenty-fifth Annual Conference, standing within the Capitol, I welcome you and all who accom-

pany you to the heart of California, for this fair Capitol City of Sacramento is appropriately named "The Heart of California." We are proud of our great commonwealth, second in area and fifth in population of the States of the United States, proud of the position which it holds in the sisterhood of States, proud of its romantic history, of its pioneers who laid its foundation firm and secure. They came, as you do, from New England, New York, Pennsylvania, from Dixie Land, and the great Middle West.

The Annual Conference of the Governors of the States of the United States was formed in 1908 at the suggestion of Theodore Roosevelt, then President of the United States. The first meeting was called by him in the City of Washington to discuss the conservation of the natural resources of this nation. Since that time the Conference has grown year by year in strength and importance.

My fellow Governors, at your annual conference last year in the old Dominion State of Virginia, the birthplace of the father of our country, where we celebrated the two hundredth anniversary of his birth at a gathering long to be remembered by each of us; where we visited Mount Vernon, and looked across the Potomac and saw the noble Capitol in the distance; where we visited the scenes of his boyhood and his lifetime and career and partook of the genuine hospitality of Virginia under the direction of our distinguished presiding Governor, John Garland Pollard, and it was there you selected California for this Conference.

To come here you have crossed mountain divides and far flung valleys in the solemn hours of this great nation's history. You are here to meet in human fellowship and friendly understanding; to weigh the problems of the hour and to seek in that bond of national comradeship a solution to the things we together must face and work out.

The warmth of our welcome—the flags and trappings and gaieties of this occasion, and the hours you will spend with us, are only incidental to our appreciation of your coming. They are but tokens of our realization that you are here to give concrete expression to the hopes and aspirations of your splendid millions of citizens who here on this continent, are today crystallizing into new standards of human relations American traditions, American ideals, and American achievements. And so it is that I, as Governor of California, now greet you to our State, not only as representatives of the other great

States, but also as ambassadors of history in the making, the heralds of the new cause, and the guardians of the new goal. Our traditional Golden Gate of San Francisco is wide open for you, and so are our hearts. The skies above join in our smiles of welcome. Our fertile groves and valleys nod with joy, and our mountains salute you from their snow-clad crowns.

During your stay in California it will be our privilege and great honor to lighten your burdens if and when we can, and to show you the beauties and glories of this State. From Sacramento, rich in gold spangled memory of the Argonauts and the Days of '49; from San Francisco, still serene but no longer indifferent mistress of the Seven Seas; along the foam-frilled edge of the Pacific to the leafy majesty of our redwoods and the granite grandeur of Yosemite; and finally, through all the real beauty of Los Angeles, dream city of the West, cradle of entertainment for the enjoyment of the entire civilized world, your journey will lead in its brighter hours.

Our people are ready to receive you. They have waited and prepared for months for your coming. They hope you will enjoy yourselves and they ask in return only your counsel and your wisdom and the warmth of your handshake and smile.

Our Legislature and our municipalities have done their share to make your conference a success and California welcomes you with a prayer of hope and confidence. I know that as we stand here in the Legislative Chamber of our Commonwealth, touched with what has transpired and thrilled with what is yet to come, that we cannot help think of that colorful procession of events that went to make up the history of the West. I am reminded of the words of Horace Greeley, editor of the New York Tribune in his lifetime in the nineteenth century, who said, "Go West young man and grow up with the country."

We plan to take you through places where the West begins and never ends. We plan to show you cities and industries that met and overcame nature's handicaps and her occasional angry moods. We want you to know that if we show some pride in these monuments of courage and achievement, it is because we know that today and tomorrow also call for courage and that they, too, promise achievement as a reward to us and to you.

I know that in the sessions of this Conference, California will be with you every inch of the way. Our resources are at your disposal, our traditions are part of

your traditions, and our future is the spawn of your past. And so I know that as we meet here with thanksgiving in our hearts at California's beauty and past and tradition, we will not forget the great task still ahead and what has brought us together. Your own offices and the able men who make up this conference, no doubt, will tell the nation of your plans and achievements, for they, in common with the people of this State, have been at work to bring about better times and better things. The time has come for action. War drums are stilled—let us hope forever. New echoes ring throughout the land. We hear the clarion notes of courage, the step of the new march of democracy tramping onward and upward out of darkness and into the light.

California has joined that powerful parade, the advance of the average man. The great States that sent you here are marching with us, shoulder to shoulder. The quickening rhythm of this van of victory is drawing us nearer and dearer to each other. Can we not hear the thundering trek of humanity, striding toward the "New Deal"? The road is clear—the path is plain.

Three thousand miles away in that beautiful, dignified dwelling on the banks of the Potomac our beloved President and prophet of the "New Deal," Franklin Delano Roosevelt, has pointed the way. May we not here on the shores of the blue Pacific, America's last frontier and its first outpost of courage, again dedicate ourselves to that great march of progress and pledge our love and help and support. May we not, as we journey in the next few days to come through the great cities that have arisen out of ruin and despair, send out to the nation reassurance that the States of the United States, for which our forefathers gave their lives in war, are still united in the problems of peace. May we not, as we clasp hands with the people of San Francisco and gaze with admiration upon the beautiful metropolis which only a few years ago was viewed through smouldering "Portals of the Past" gain new courage and wisdom for a united front in the economic recovery now going on. How can we fail to feel serene and hopeful about tomorrow when we view, as we shall in the next few days on our journey through California, the green acres of fertility wrested by courage and industry from the desert's dusty claws in our own San Joaquin and San Fernando Valleys. Can we fail to bring into this momentous conference and through it to your own people in your own States, inspiration for their individual tasks when we gaze upon the great work of the Los Angeles Aqueduct; upon the

San Francisco-Oakland Bay Bridge, and the Golden Gate Bridge now in the making; on the new water power developments to which California has pledged itself here and in the north, and in the south, and to that great monument and glory of the West, the taming of the Colorado River? All these projects, born from the vision and courage of California and its sons and daughters, are here under your eyes to view, admire and praise, and to spur you on in the reconstruction under the banner of the "New Deal."

Perhaps a little less concrete, but I know no less important, California offers for your consideration its response to President Roosevelt's call for cooperation in turning the pledge for a "New Deal" into an accomplishment of new deeds. You will be interested to know that in this State, and mostly in these historic halls, we have plunged ahead to give that guiding spirit in the White House definite help in what is to come. We have started and are now busy at work weaving into the tapestry of our nation's rehabilitation new legislation for that end. California has pledged itself to a program which includes:

Making all of the facilities of the various State departments available to the Federal authorities.

By executive order I have created the California Public Works Committee, which is similar to committees which have been appointed by many of my fellow Governors. This committee has been preparing a unified plan of public works projects and the assembling of data as to the conditions of unemployment in our various communities.

At my request, legislation is now pending which gives official recognition of the committee which I created and grants to that committee very wide authority. It authorizes under simplified methods of procedure the issuance of revenue bonds on the part of local governmental units, and permits special elections under simplified, expedient and economic procedure. We have followed President Roosevelt's lead and provided simple and direct methods of mobilizing all of the facilities of this State in this scourging war against unemployment and destitution.

I would not mar the pleasure of this happy occasion by recounting before you the troublesome years that have just passed. I know that the Governor of every State in this Union has experienced situations and has been confronted with problems that were never before

dreamed of—either in time of war or in time of peace. How well we have met and solved those problems will be a question for future generations to pass upon, but I glory in the fact that the horizon of America's future is all aglow with new hope and promise. Times are getting better—the economic depression is slowly but surely passing away under the leadership of a man who in the short space of five months has brought order out of chaos, happiness out of misery, prosperity out of a depression, and hope and courage to a depressed and suffering world—a man who, like all remarkable men, has followed no guide and walked in no beaten path, but whose success, backed by all citizens regardless of political affiliations, has mocked all precedent and defied all rules, until today the whole nation vibrates with courage and hope for the future—every home in the United States has taken on a new aspect—unemployed by the thousands are returning to work daily; homes are being saved; and optimism is upon every hand. So upon this occasion let us remember and record in our minutes that we, the Governors of the States of the United States, do all honor, praise and thank the mighty American in the White House at Washington, Franklin Delano Roosevelt.

Again, and in conclusion, I greet our guests with the ardent hope that every hour of your stay among us will be conducive to great good for the peace, happiness and prosperity of our people, and that your stay will be pleasant and will ripen at length into pleasant memories.

As the Governor of the Commonwealth of California, I say that California is yours as long as you care to stay.

(Applause.)

CHAIRMAN JOHN G. POLLARD: Response to the gracious words of welcome will be delivered by the Honorable I. C. Blackwood, Governor of the State of South Carolina.

(Applause.)

GOVERNOR I. C. BLACKWOOD: Mr. Chairman, Governor Rolph, Bishop Armstrong, the Honorable Secretary of War, ladies and gentlemen and distinguished guests from wheresoever you may have come:

Some day I hope to be able to write and to speak at length concerning the hospitality, the grandeur, the nobility of the State of California. This, however, is not that day. I shall only briefly, on behalf of the Governors of the States of the American Union, accept this

gracious and cordial welcome and say but a few words, in order that we may proceed hurriedly into the more serious affairs.

Upon this, the convening of the Twenty-fifth Session of the Governors' Conference, we find that we are at the end of an epoch or era, and that we are standing upon the threshold of a new day. The things that we must confront are things hitherto unknown to us. How and where we shall find a solution for the problems we do not at this time entirely know, but like all people, as history records, we shall be governed by the light of those who have preceded us, we shall act as those who have not traveled this way before, and look and listen, and patiently wait, and earnestly long for such agencies as may come to our assistance in solving our grievous problems. Good manners, knighthood and gentility, chivalry and refinement are not out of style on any continent, in any clime or among any people. The knighthood and chivalry of James Rolph, Jr. would have been in good form during any century, among any people, in any clime or country in the civilized world. California has a great Governor. That is one earmark of greatness on behalf of the people of California. He is a golden hearted man. There are those who think that greatness and congeniality and kindness do not inhabit the same dwelling. There are those who think that the rigors of the hardboiled citizen are the unmistakable evidences of greatness. Such is not the case. Only the good can hope to be great, and the great must always produce evidences of goodness.

We had been here but a short while until we had begun to learn anew of the excellent things that California possessed. In many of the departments of life they rank highly among the States of this Union, and among the citizens of this country. Your career has been replete with remarkable and honorable achievements; your brief journey has been thickly beset by many trying vicissitudes. You are a young State. All of the American States are comparatively young, but in comparison with the other States you are among the juvenile members of the family. But you have drawn from every State in this Union some of the best that such States could offer. Every State in this Union can proudly claim a constituent part in the superb excellence of California.

We shall during these days, while in the main we hope to steal away from the things that burden and try our patience and endurance, discuss among ourselves some

of the serious problems that confront the Governors of Commonwealths. We have not been unmindful, in the midst of the merriment and gladness that comes to us upon our entrance into your State, that we have great responsibilities. We shall not be unmindful, I am sure, of the opportunity that comes to us as Governors of the States to lend our influence, the strength of such leadership as we may possess to the advancement of the great program upon which we are about to enter.

Now, on behalf of all the Governors who are here, and the Governors who are not here, on behalf of every State in the American Union and the people, I accept your gracious welcome; and assure you that, as California enjoys the heights of the eternal snow and the constantly and eternally blooming and growing of beautiful plants and flowers, that you shall, because of this experience, at the same time constantly possess our hearts' choicest bouquet; this memory shall not soon perish.

(Applause.)

CHAIRMAN JOHN G. POLLARD: I wish that every American citizen could sit down this morning and read the notable speech delivered at Richmond, Virginia, last year by the present Secretary of War. That speech was remarkable in that it depicted with accuracy the policies of this administration. There were prophets of old, major and minor.

I now have the honor of introducing the greatest of modern prophets, Honorable George H. Dern, Secretary of War.

(Applause.)

SECRETARY OF WAR, GEORGE H. DERN: Mr. Chairman, Governor Rolph, your Excellencies, ladies and gentlemen:

When last year's Conference came to an end, I thought I was bidding a long farewell to the organization. The separation filled me with regret, for I had been a regular attendant for seven years, had been a member of the Executive Committee for four years, had twice been Chairman of the Executive Committee and had acted as host governor when the Conference met in Utah in 1930. An institution into which I had put so much of my time and thought, and in which I had formed so many close friendships—friendships that I shall cherish always—had grown dear to me.

It is therefore a great pleasure to attend the Governors' Conference again this year, not as an offender



coming back to the scene of his crime, but by special invitation so generously extended by my former associates, and at the request of one who, as Governor of New York, also a member of the Executive Committee a year ago, and who since that time has been called to the office of President of the United States. I have the honor of bringing to you his affectionate and fraternal greetings.

The President will deliver his own message to you tomorrow evening over the radio, hence I bear no other special commission from him, and I speak only my own thoughts today.

There were bound to be numerous political casualties in the last election—some voluntary and some involuntary—and I miss many of my old gubernatorial friends this morning. I wish we had some way to send them our greetings and our appreciation of their constant disinterested devotion to the welfare of their respective States, regardless of party affiliation. One of the delights of the Governors' Conference is that in it a group of politicians so completely lay aside politics and meet on common level of friendly cooperation and loyal public service.

Since this makes eight Governors' Conferences in a row for me, to the new Governors I allow myself the privilege of an old-timer to extend a hearty welcome to a highly useful organization that deserves their support, and out of which they may, if they will, get inspiration and help for their arduous tasks.

Having for years considered the office of Governor one of the most exalted in our system of government, and having found so many Governors who measured up to the requirements of that high station, when I had to find a man specially trained for the important administrative position of the Assistant Secretary of War, where could I be expected to look but in the ranks of the Governors? So I chose another man who was in the Governors' Conference a year ago, former Governor Harry H. Woodring, of Kansas, and the President immediately concurred in my choice and appointed him. The War Department is therefore 100 percent in the hands of former Governors.

Secretary Woodring is a handsome bachelor, but his days of single blessedness are about over, for he is to be married tomorrow. I had a hard time making up my mind whether I ought to go to his wedding or to the

Governors' Conference, but the President finally made the decision for me.

The Secretary of the Navy is also a former Governor, and the Director of the Mint is former Governor Nellie Taylor Ross, of Wyoming, so we Governors are tolerably well represented in the present Administration.

In Washington I am still called "Governor" about as often as I am called "Mr. Secretary," and I prefer it, for there are only three finer titles in the United States than "Governor", and they are "Mr. President", "Mr. Vice President", and "Mr. Chief Justice."

When the President asked me to go to the Governors' Conference I asked him what he thought would be an appropriate subject for me to discuss. He replied, "Why don't you talk about the relationship between the Federal Government and the States, and point out desirable ways to cooperate?"

The suggestion interested me, and I began to work on it, although I realized that I could touch upon only one or two phases of so broad a topic. As I put my thoughts down I feared that I was beginning to talk a somewhat different language than I used to talk when I first became Governor of Utah. I checked myself by asking, "Am I so soon becoming influenced by ideas of larger Federal power after expounding State rights so lustily a few years ago?" I hope I shall not appear as a fickle backslider in what I shall say today. Understanding State problems and State needs as I do, it would be hard for me ever to take a viewpoint unsympathetic with the dignity and welfare of the State governments. I am as strong as ever for State rights within their proper sphere.

As I re-examined my opinions I discovered that if any change has taken place in my viewpoint it has not all occurred since I became an officer of the Federal Government. During the eight years of my governorship I learned many of the limitations of the states in guarding the welfare of their citizens. I realized that there is a good deal of misunderstanding concerning State sovereignty and some concerning Federal sovereignty. A true sovereignty has complete internal control and complete freedom from any external power. Neither the State nor the Federal Government quite falls within this definition, at least in the practical working sense. The Federal Government is, of course, a complete sovereignty in the international sense; but in respect to many internal problems of really national scope its powers are limited. The

States, on the other hand, are also limited, and that in both directions. The States have not full sovereign status in relation either to the nation or to each other; and many of their internal affairs are under lawful Federal control or subject at least to a concurrent jurisdiction. Neither the small States of Rhode Island and Delaware, the State of Virginia, justly proud as the Mother of Presidents, nor the great and far flung Commonwealth of California, assume to consider themselves nations. The old problem of State's rights, in the strict sense, is being supplanted by a new problem arising from the fact that the original inter-relationship between States and the nation was cast in the Constitution at a time when the type of nation-wide economic and social problems of today was not foreseeable. A new conception of the relation between the States and the nation may be necessary. The events of the past year have thrown into bold relief the difficulty of working forty-eight sovereignties within a sovereignty under present economic and social conditions.

The thirteen original States actually were thirteen separate, independent nations, and they were fearful of being swallowed up by a super-government. The Constitution makers therefore had to make concessions to this sentiment, and the document which they produced was an admirable compromise, in which State sovereignty was sought to be retained within a National confederation. Everyone who understands the historical background of the Constitution will admit that our type of Government grew up, not because it was the best that could be constituted for good and all, but because there were already thirteen sovereignties in existence, and federalization had to be accomplished with this as an established fact. It was the best frame of government that could be made under the circumstances.

Since then it has been transmuted into being the best that could possibly have been made under any circumstances, and even naively hailed here and there as divinely inspired. The fact is that with some amending, but particularly through liberal judicial construction, it has worked so well that the United States has grown into a rich and powerful nation, with economic advantages on the whole perhaps better distributed than in almost any other country.

That is the grandiose way of putting it. Perhaps a more correct, if less hifalutin, way to express it is that we muddle along haltingly until the condition becomes so intolerable through depression or otherwise, that some-

thing simply must be done about it. Then Congress, under stress, passes a law which it hopes that the Supreme Court will hold constitutional, in spite of the fact that the Supreme Court, if it pursued its duty, even in a properly liberal spirit, would have to declare unconstitutional, because our frame of government was cast at a time when the public problems were of different character and scope. Perhaps instead of expecting the Supreme Court, as Mr. Dooley once said, "to follow the illiction returns", we ought to respect it for doing its duty, and turn our attention to the fact that economic and social problems are more—shall I say appallingly—national rather than 1776 local in scope, and to the possibility that we may need a new definition in the Constitution of State and Federal powers and the relationship of State to Nation.

How is the system of having forty-eight sovereignties within a sovereignty affecting our industrial system?

It seems rather absurd to be able to protect American industry generally against cheap foreign labor and not to be able to protect the industries of one region within the United States against vicious competitive conditions within another part of our own country. The industries of one State may be at the mercy of cut-throat competition in another, which they cannot meet without depressing their local living standards. Ought not the Federal Government to have such enlarged powers as may be necessary to solve such situations?

Certain States enjoy inherent advantages of natural resources, situation or climate. These can never be equalized and any attempt to neutralize them would be unwise; but when it comes to wages, hours of labor and working conditions, there must be found some show of reasonable equality, or else it will be mockery to speak of the United States as a nation of equal opportunity and justice.

In some degree, but not wholly, the general effect of a local practice depends upon the size of the local operator. For example, the social and industrial problems of a community in the case of a village blacksmith shop are purely local. It has no labor problems or social problems which affect other communities far away. But let it grow into a United States Steel Corporation and then see how its wages and working conditions may affect the whole country.

Or again, a batch of garments made in a single sweat shop or a tenement may not cause a ripple on the surface of the nation's industries; but let a situation arise where

garments are made in thousands of homes, tenements and sweat shops, at low, indecent wages, and let this flood pour from one State into another which requires better working conditions and higher wages, and thence pours out over the whole country, spreading ruin to legitimate industry everywhere, then immediately the problem becomes not a local one or a mere State problem, but a National problem. And this problem may be created either by a large corporation or by unscrupulous small competitors within an industry. Ten per cent of an industry can bring disaster to the other ninety per cent.

The program of the present Administration, in a nutshell, is to put millions of people back to work, at decent wages, thereby to increase consumer purchasing power and thus to build the foundation for stimulated and permanent industrial activity. The problem is being attacked from several angles. Perhaps the most important and far reaching is the National Industrial Recovery Act, which is designed to correct the sort of cut-throat competition which I have just mentioned, which is abhorred as much by enlightened business men as it is by the workers, and to lay the proper industrial foundation to which I have alluded.

As Assistant Secretary of Commerce Dickinson put it the other day, "It is not merely unnecessary, it is academic and unrealistic to believe that competition in the sense of struggle and rivalry must be absolutely unrestricted. Competition, like all good things, has its proper limits. Carry it too far, and like any abstract principle, it meets other opposing principles—the principle of order, the principle of efficiency, the principle of justice, the principle of humanity, before which it must give way. Competition, for example, is the basis of all games and sports and yet there is no game in which competition is not limited by rules. Hitting below the belt is outlawed. Is there any reason why competition in business is relieved from the necessity for limitation which is recognized in all its other forms? The worship of economic competition in and for itself is a blind fetish and superstition, which is belied by the elementary rules of law against the cruder forms of competitive malpractice."

In short, we are trying to rid ourselves of the destructive aspects of the doctrine of laissez faire, and to substitute a regulated competition which shall operate more justly. If present conceptions of State sovereignty stand in the way of that experiment it will be a calamity.

Those who framed the National Recovery Act and those who are charged with the duty of administering it

believe the courts will be able to sustain it, in spite of its apparent extension of Federal authority. The National Recovery Codes will contain provisions for proper maximum hours of work and minimum wages. If these are not lived up to voluntarily,—and it is believed that in the large they will be,—means are provided in the law for compelling adherence thereto. And the codes in a large industry, of course, cross State lines. Indeed, almost every employer whose volume of business is large enough to affect his industry as a whole will doubtless come under the influence of the law in view of the national scale on which industry is now carried on, although it may be necessary, in some situations, to have supplementary State legislation.

It is conceivable that the law will be contested, because the Supreme Court at one time said that manufacturing itself is not interstate commerce, and it may be claimed that this law undertakes to regulate local manufacturing. It was on this ground that one of the Federal child labor laws was held unconstitutional. The Court said manufacturing was not a part of commerce, commerce started where manufacturing stopped, and the Federal Government could not regulate manufacturing or the conditions in industry during the process of manufacturing, but only after commerce started. Perhaps, however, our new insight into economic conditions has disclosed that all commerce in a given industry is affected by destructive conditions locally, especially in time of economic emergency, and is thus lawfully subject to Federal regulation. But this illustrates the difficulties of having different sovereignties within a sovereignty, whereas the whole country is on a free trade basis internally and is thus economically a unit.

The relationship of the States to the Federal Government is therefore a timely topic. That relationship is undoubtedly changing, and everything indicates that, under our complex national industrial life, it will be necessary for the Federal Government to take over more and more power. Since its sole purpose would be to promote social justice, why not do it openly rather than through disguises? Evil practices have hidden behind the bugaboo of State rights long enough.

And it will be good for the States. After all, we are not primarily Californians, or Nebraskans, or Pennsylvanians or Floridans. We are Americans, and the good of America is the good of all of us. Surely by this time we are conscious of the fact that State welfare and National welfare are one.

Is this an heretical doctrine to preach to a gathering of Governors, who perhaps are the special keepers of the holy fire of State rights? I do not think so. Even a Governor will admit that psychologically we actually treat ourselves as one nation, and economically we are all in the same boat. We know that to the extent that the depression was caused by governmental mistakes they were not the mistakes of the States but of the National Government; and we expect that Government to get us out again. But if this is the Federal responsibility we must not hamper its solution of the problem by insisting too far on old conceptions of State rights.

For effective economic planning, such as we are now embarking upon for the first time, State borders must to an extent be disregarded and the United States must be taken as one great economic era. Think of the chaos that would result if States erected tariff barriers! But the States can and do erect barriers against wise social legislation and effective national economic planning. There are many State rights that must not be molested, because for local matters we must have local self-government, but the National Government must not be helpless to deal with national problems. How else is America to rise to her possible greatness?

In the emergency of war the nation acts as a unit and real sovereignty belongs to the National Government, because under such circumstances our very national existence is at stake. The people will come to feel the same way in a severe industrial crisis. That is why, during the last four months, more fundamental changes have been made than at any other period in our history. If the National Industrial Recovery Act fails, something more radical will have to be tried, because our National existence will be at stake. It is of crucial importance in the present emergency that labor, business, agriculture and government cooperate in making the new law effective. It is the rainbow of hope against the black clouds of chaos, and if those clouds gather once more, no other democratic recourse will be open to us but the calling of a Constitutional Convention to allow economic planning on a more effective national scale. But there may not be time for it in such a crisis. It is important, therefore, that we begin to think about this peril.

The Industrial Recovery Act, if not the last stand of the competitive system, is at least an attempt to save that system by eliminating those selfish, vicious practices which are destructive of industry and labor alike. It seeks to save our democratic form of government. I

hope and believe it will succeed. And I believe the temper of our people is such that they will not brook very much open interference with it. But I also believe that we shall come to see, in time, the necessity for something further. Agriculture, banking, industry, natural resources, in fact, every important economic problem is a national problem, and not to deal with it as such will be seen to be as suicidal as to expect each State to provide its own uncoordinated army and navy. In the present emergency it is important that the States give to the National Industrial Recovery Act every possible support.

If the Recovery Act is to be as effective as it should be in eliminating the sweat shop and cut-throat competition, it may have to be supplemented, as I said before, by similar legislation in the States. If the States would follow the President in his publicly broadcast statement of principle that "the business which depends for its existence on paying less than a living wage to its employees has no right to survive," we should soon be on our way to real economic stability.

We always feel a sense of security when we can tie to our old landmarks, and so I want at this time to pay my respects to the principles of Thomas Jefferson and to reiterate them. Although I happen to be a Democrat, I do not speak of Jefferson in a partisan sense. The principles of Thomas Jefferson are not the exclusive property of the Democratic Party. When the Republican Party was organized it planted itself squarely upon Jeffersonian principles, from which it claimed the Democratic Party had strayed.

I think a distinction must be drawn between the principles and the policies of Jefferson. The principles are still good; the policies must be changed with changing conditions.

The principle that Jefferson reiterated and stood for, which is as true today as it was then, is that the government of a people must not be taken too far away from the people. It must be recognized that this was the essential reason why Jefferson believed in State rights. Not that he thought State rights were something sacred in themselves, but he was afraid that if too much power were lodged in the government at Washington it would be taking the government in local matters farther away from the local constituencies.

So also his idea of the less government the better came from the valid assumption that the more government



there is, the more likely it is to take from the local people their right to govern themselves.

In other words, the principle of State rights and the principle of the least government possible sprang fundamentally from his theory that government should always be kept, as far as possible, at home, and be made as local as possible.

This is true, and this is why we should insist upon decentralization wherever it will work. However, I am confident that Jefferson today would never deny the need of so changing our government, if necessary, as to permit the Federal Government to administer matters of Federal concern, untrammelled by conflicting powers of the States.

He did not, of course, have in mind this intense industrial civilization which has come with the machine age. He thought he could foresee Washington governing small communities in Virginia in local matters, and his whole weight and influence were thrown against that sort of thing. We would today likewise throw our influence against it, but that does not mean that we should throw our influence against having the Federal Government regulate and administer and govern in regard to those matters which are of Federal and National concern, without being trammelled by an anachronistic conception of State's rights.

Let each State in the present emergency lend its aid in every way possible to the national effort toward National Recovery, including special legislation if necessary.

(Applause.)

CHAIRMAN JOHN G. POLLARD: The supreme duty of the hour is cooperation with the President of the United States in making effective the National Industrial Recovery Act. I am, therefore, taking the liberty of asking Mr. Frank Watson, who represents the National Recovery Administration, to make at this time a short statement concerning the plans of that body. Mr. Watson.

MR. FRANK WATSON: May I thank you first, sir, on behalf of the National Recovery Administration for this opportunity. General Johnson furnished me with a few facts in order that he could put more clearly before this body the present situation, and also before the Nation.

General Johnson appreciates the desire of the Governors, I am sure, to cooperate; and rather than type out

a stack of facts, he loaded me on plane and train and rushed me back here. I won't take much of your time, gentlemen. A few facts are quite clear. If we could increase wages and spread work so as to increase purchasing power to take care of our unemployed, our problems of depression would be over in a very short while. This is what the codes under the National Recovery Act plan to do; but they also look toward long-range planning. As Secretary Dern has told you, they look toward taking care of competition in the future. This means writing a constitution for each separate industry, and this takes time. It is beginning to look as though we are not going to be able to wait for the slow working out of the codes. Something else will be necessary to fill in the gap.

Another element has come in; and this is the element that I wish to present. Figures were given to me at the last moment, just before leaving Washington, which show quite clearly where we now stand. We investigated past recoveries from depressions similar to this one, to see just what the trends were. This discrepancy I speak of is the disparity between purchasing power and business activity. We investigated the 1880 recovery,—1880 to 1885; we investigated the 1897 to 1900 recovery, and the 1921 to 1923 recovery, which are comparable to the present. In each of those recoveries, with the exception of 1897 to 1900 recovery, the purchasing power increased first, and then prices gradually went up. This was true over the entire period of recovery, so at the end of each of those recoveries, the amount of recovery in price levels did not quite reach that of purchasing power, purchasing power always being in excess. In a single instance, the 1897 to 1900 recovery, after a period of six months, there was a short time when prices exceeded purchasing power, when purchasing power lagged, and at that time we had a set-back of six months. Very recent figures show that over the past four months, business activity has increased 35 per cent, prices have increased between 30 per cent and 86 per cent, depending upon the type of commodity you use for an index, whereas payrolls, which represent purchasing power, show an increase of only 24 per cent.

I present those facts to you; but my portfolio from General Johnson does not include the right to make any speculation as to what they mean. I present them to you, and I know you men will know what to make of them.

(Applause.)

GOVERNOR PAUL V. McNUTT: Mr. Chairman.

CHAIRMAN JOHN G. POLLARD: I recognize the Governor of Indiana.

GOVERNOR PAUL V. McNUTT: Members of the Conference, in keeping this morning with the ideas of the Secretary of War and the report from Mr. Watson, I wish to invite attention to two facts which affect all of us as State executives.

It is true that the problem of recovery is a national problem. This problem likewise affects the States directly; and the first fact to which I wish to invite attention is this:

That unless the States lend their whole-hearted support to the National Recovery program, we will be faced with an unemployment problem this winter quite as serious, if not more serious, than the one of last winter. The facts are these: Only half of the unemployed were upon the relief rolls. The other half, the last to lose positions, depended upon their own savings by reason of the fact that they were able to support their families from these savings. By reason of some pride, on account of superior position, they have not asked their governments for support. With recovery, even to the extent of fifty per cent, the relief rolls will be approximately the same. Therefore, it behooves all of us to lend every possible support to the recovery program in order that we may meet adequately the demand for relief this next year.

History demonstrates that in every movement or revolt against the established order, hungry men are in the vanguard; and the hungry man is never rational in his attitude towards himself or towards the community in which he happens to reside. Therefore, for the protection of our own people, we must render every possible assistance.

The second fact to which I wish to invite attention is this:

That we have before us the opportunity of a century to enact needful social legislation,—child labor legislation, minimum wage legislation, legislation which will abolish forever the sweat shop. A half century of concerted effort might bring about such a change; but with the opportunity presented in this great problem which confronts all of us today, we may go to our people and to our general assemblies, and properly ask that they support this needful social legislation.

Therefore, Mr. Chairman, it seems that these problems are not only Federal, but likewise State problems; and it might be well for us this morning to reassure the Chief Executive that we are whole-heartedly behind him in his effort to bring about national recovery.

Therefore, I move that this Conference send to the Honorable Franklin D. Roosevelt, President of the United States, this telegram:

"The Governors of the several States assembled in the Twenty-fifth Annual Conference of the Governors of the States of the United States send you affectionate greetings, and pledge their whole-hearted active support to the recovery program now being undertaken."

(Applause.)

GOVERNOR WILBUR L. CROSS: Mr. President.

CHAIRMAN JOHN G. POLLARD: The Chair recognizes the Governor of Connecticut.

GOVERNOR WILBUR L. CROSS: On behalf of the people of Connecticut, I should like to second the resolution which has just been presented in the form of a telegram to the President of the United States, assuring him of the cooperation of all the States represented in this organization in his endeavor to restore prosperity to this country through the various measures that he has been able to get through Congress, and particularly the National Industrial Recovery Act; and I should like to say that Connecticut has already passed legislation, though not as drastic as I should like, along the lines suggested by the Governor of Indiana, and that without any question of party affiliation, the citizens of the State of Connecticut are whole-heartedly supporting at the present time the National Industrial Recovery Act, through the planning of codes and in other respects.

(Applause.)

CHAIRMAN JOHN G. POLLARD: You have heard the motion by the Governor of Indiana, and seconded by the Governor of Connecticut. Is there any discussion?

A VOICE: Question.

CHAIRMAN JOHN G. POLLARD: The question is called for. All who are in favor of the motion will say "Aye."

VOICES: "Aye."

CHAIRMAN JOHN G. POLLARD: All opposed "No."  
Carried.

I now present the Secretary of our Conference, Governor Hardee, of Florida.

SECRETARY CARY AUGUSTUS HARDEE: I am not presented to make a speech.

Mr. Chairman, I have before me the report of the Treasurer of the Conference; and it is usual to appoint a committee of three Governors to audit that report. I move that such committee be appointed at this time.

And furthermore, we have a good many telegrams and letters from various Governors, expressing their regret at not being able to attend the Conference at this time; three of them coming to Governor Rolph direct, and asking that they be submitted. They are somewhat in line with others that we have, but with your permission, I would like to read these three.

"I am genuinely disappointed that official duties here have prevented me from again enjoying your delightful hospitality and I envy the more fortunate Governors who are attending the Conference. Personal regards and best wishes.

"SENNETT CONNER."

That is addressed to the Governor of California, Honorable James Rolph, Jr.

Another: "Regret last hour developments in connection with our State works program in 39 counties require my constant attention making it impossible for me to attend opening conference of Governors. Please express my regrets to fellow Governors and convey hearty invitation to eastern Governors to return via Pacific Northwest and visit Washington and its new Capitol in Olympia. It will be my pleasure to personally greet Governors who have time and convenience to visit Olympia.

"Clarence D. Martin, Governor of Washington;"  
and addressed to Governor Rolph.

Another: "My heart is with you and deep regrets that I am not today en route to California. Please extend invitation to Conference to meet in Atlanta, Georgia, in 1934. All Georgia would welcome you with great joy. Our Capitol City would do her utmost to entertain you royally and personally it would give me the greatest pleasure to have you with us. Regards to entire Conference.

"EUGENE TALMADGE,"

of Georgia, and addressed to Governor Rolph.  
That is all.

CHAIRMAN JOHN G. POLLARD: In pursuance of the suggestion of the Secretary, the Chair will appoint Governor Balzar, Governor Ross and Governor Green as a committee to audit the accounts of the Treasurer.

There was placed on the program for the morning an address by Honorable Wilbur L. Cross, Governor of Connecticut, on the "Policy of Tax Exemptions." It has been agreed by the Executive Committee that it is best to postpone the delivery of that address to a later session.

Any further business before the Conference? If not, then a motion to adjourn is in order.

GOVERNOR I. C. BLACKWOOD: I move that we adjourn.

CHAIRMAN JOHN G. POLLARD: The Governor of South Carolina moves that we adjourn.

GOVERNOR GEORGE WHITE: I second the motion.

CHAIRMAN JOHN G. POLLARD: And the Governor of Ohio seconds it. All those in favor of the motion will say "Aye".

VOICES: "Aye."

CHAIRMAN JOHN G. POLLARD: All opposed "No."  
(No votes cast.)

**State Supreme Court Chambers, State Building  
San Francisco, California.**

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**Tuesday, July 25th, 1933, 10:30 A. M.**

**GOVERNOR FRED B. BALZAR:** The members of the Conference will please come to order.

Owing to the lateness of the hour this morning, your Chairman is not going to make any extended remarks. Rather, we will go on with the program where we left off yesterday.

Our first speaker on the program this morning is the Honorable Wilbur L. Cross, Governor of Connecticut, who will address you on the "Policy of Tax Exemptions."

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**ADDRESS—"POLICY OF TAX EXEMPTIONS,"**  
By Honorable Wilbur L. Cross, Governor of Connecticut.

**GOVERNOR WILBUR L. CROSS:** Mr. Chairman and fellow Governors, the time has arrived, I understand, for us to get down to business. This is not a large audience. Dean Swift, Jonathan Swift, the Dean of St. Patrick's, used to have sometimes in his congregation only his clerk, or "clark," and he used to begin the service by, "My dear brother Roger and I, the Scripture moveth us in sundry places."

The subject of taxation, which is always with us, has become urgent since the debacle of 1929. State and municipal incomes from taxation have shrunk enormously, with no corresponding decrease, as a rule, of expenditures. States and municipalities have raised their tax rates on real estate and tangible personal property or have increased their indebtedness in order to carry them through a crisis accentuated by the need of large assistance to an increasing army of unemployed.

Connecticut has been more fortunate than many other States. Hard hit as she was by the depression, the force of the blow has been mitigated by the variety of her industries. Social organizations have to a large extent looked after the unemployed. Municipalities which have shared generously in relief work have been able to keep their bond indebtedness within the legal limit, which, in Connecticut, is five per cent of their grand list. The State has laid no new taxes, nor has it been compelled to issue bonds to cover a deficit. There was, it is true, a deficit of five million dollars for the biennium

ending on June 30, 1933, but expenditures have been so greatly reduced in the budget for the next biennium that the deficit should be taken care of within that period. At the worst nothing more than short term notes will be necessary to carry the State through. The policy of Connecticut is to keep expenditures level with income, whatever that income may be.

Nevertheless it has become evident that the tax structure of the State and its subdivisions stands in need of thorough revision. Especially the tax base should be broadened so as to relieve the local load on real estate in the interest of the farmer, the householder, and the industrial corporation. Accordingly, I have appointed, as authorized by the General Assembly, a commission of experts to study the whole subject of taxation as related to Connecticut and to report to the next session of the General Assembly, a year and a half hence.

This commission will have to consider the question of tax exemptions which grew enormously during the period of prosperity. I hardly dare repeat statements which I have read in regard to other States, for I have at hand no means of verifying them. Edith Hamilton, writing in *The Forum* for March 1930, says that then one-fifth of the entire real property in Massachusetts was exempt and that the exemption was increasing at the rate of \$60,000,000 annually. In one college town of Massachusetts 60 per cent of the real property was then untaxed, and in another 70 per cent. Privately owned real estate in Connecticut exempt by statute from taxation, according to a very conservative valuation, is estimated at \$250,000,000. The largest items are in religious organizations (\$84,000,000), educational institutions (\$73,000,000), hospitals and sanatoria (\$23,000,000), and charitable organizations of a miscellaneous character (\$23,000,000 more). I give here only approximate figures. On the value of tangible and intangible property that escapes taxation no estimate is available, as Connecticut levies no tax on personal incomes. Naturally I leave out of the account publicly-owned property, about which there is rarely any question of taxation.

I may add that at the close of the year ending April 1, 1932, there was a total of \$17,000,000 in uncollected local property taxes. In addition delinquent personal taxes, that is, poll taxes, of previous years amounted to nearly \$3,000,000. At the average rate of 24 mills the uncollected property taxes, as of April 1, 1932, represent property valuations in excess of three hundred million



dollars. "This three hundred million dollars," says the Tax Commissioner, "may be considered as being in effect exempt from taxation, in that the amount due thereon to the municipalities is not collectable as and when needed by the communities, and much of it, without any doubt, will be lost entirely." During the last year the situation has become much worse. Thus in Connecticut, as elsewhere, private property valued at hundreds of millions of dollars escapes taxation by statutes or through delay and sometimes through cunning, while farms, homes and business properties are subjected to heavier and heavier taxation.

The exemptions, taken as a whole throughout the country, present a picture so appalling that many writers on the subject of taxation would abolish all exemptions of privately owned real property whatsoever, sparing neither religion nor education nor charity. The argument for abolition usually runs in this wise: Church membership, once almost universal, has become entirely a personal matter and a large part of the population, perhaps two-thirds, have no religious affiliations whatsoever; everywhere free public education has come into existence; charities, once partly private and partly a function of the church, have been largely secularized and brought into the field of government work as one of the large services performed by the State. Occasionally a writer goes so far as to argue against exemption of publicly owned real property, federal, state, county and municipal, which in Connecticut now has an estimated valuation of \$250,000,000.

As a New Englander, I cannot separate myself from the traditional principle of exempting property of religious, educational and charitable organizations. The way of reform, it seems to me, is through limitation and the correction of abuses which have been creeping in, particularly during the last quarter of a century. There is doubtless too much exemption in each of the three classes of property, church, education, charity. The property of strictly religious institutions is, as a rule, so widely distributed that it rarely has any appreciable effect upon local tax rates. Although it may be true that the Church is losing ground, it is nevertheless true that religious ideals are a part of the civilization of the United States, and for this reason, if for no other, these ideals should be kept in the forefront. As Church and State are separate in this country, there is no way that the State can assist the two great branches of the Church except by exempting their property from taxation. There

are, however, many instances which have come under my own observation where churches have held real estate apparently for the purpose of profit by growing increase in value. In the aggregate, there is a large amount of this real estate which should be subject to taxation. However difficult it may be to determine the facts in a given case, the aim must be to exempt only such church property as is necessary to the church in performing its legitimate functions.

It has become clear in recent years that private charity, privately organized, is now utterly powerless to cope with the prevailing want and distress. Consequently, the general drift of activities for fundamental social betterment is towards control by government agencies. Even the Federal Government has had to come to the rescue of the States. It may be that the time is not far distant when private charitable institutions will transfer to the State all endeavors to provide for primary physical needs of the people in poverty and need. If in that case private charitable institutions are to survive, they will likely turn their efforts towards what is popularly called "character building," for which there is a larger province. For a half century or more sanatoria for the insane, the feeble-minded, and tubercular patients, schools for the deaf and for the blind, and homes for orphans and for the aged have been built and supported by the State or its subdivisions. Most municipalities have hospitals in which patients are treated without fees. The poorhouse over the hill has long since been a national institution. In spite of all this, there are many private sanatoria and hospitals where only such fees are charged as are requisite for their maintenance. If they did not exist, it would be necessary for the State or its subdivisions to enlarge their own sanatoria and hospitals, and to build new ones. To exempt these private institutions from taxation is a good economic policy. There are also many instances when it is an economic gain for the Government to assist these institutions by direct grants. Connecticut so assists a school for the blind and a home for crippled children. The trouble is that certain social and fraternal organizations whose aim is only incidentally charitable are often able to escape taxation by crawling in under a general statute. Where they cannot qualify for exemption under the statutes, they usually gain partial exemption by the action of assessors in placing a lower valuation on their property than is placed on adjoining property. But I belong to too many social orders to pursue this question further.

The first settlers in New England established common school systems throughout the colonies, generally supported by the various governments, so that all children might learn to read, write and cipher, too. In some of the colonies there were also established at the same time so-called "grammar schools" for instruction in Latin and Greek and mathematics, where boys might prepare for the two privately endowed collegiate schools then existing in New England. They were loosely connected with the governments, one in the Massachusetts Bay Colony and the other in the Connecticut Colony. This has remained the basis of the New England educational structure. The so-called "grammar schools" were followed by a large number of private academies, now called "preparatory schools;" Harvard and Yale developed into great universities; and many privately endowed colleges came into existence here and there in the different States of New England. Later came privately endowed professional schools in law, theology and medicine, and much later privately endowed technological schools. Some of these professional and technical schools still remain as independent units, but they have in the main become part of the universities. Thus the States, after the organization of the Federal Government, had to provide for only elementary education, leaving to endowed institutions all higher learning. It was found that private institutions needed to be supplemented by public institutions. Hence came high schools everywhere, which have been increasing continually in number. Later came in most States, agricultural colleges, which are in some instances extending their curricula to cover subjects ordinarily taught in the colleges. The situation, as you see, is in some respects quite different from the educational structures in some of the new States of the West, where we have at the top the great State universities. It has been the New England policy to exempt, within varying limits, from taxation, universities, colleges and private schools, on the theory that they are performing services which otherwise would have to be provided by the State at an immense expenditure.

A similar policy was carried into the West, into Michigan, Illinois, Wisconsin, Minnesota and other States, where the New England type of college, sometimes developing into a university and anticipating the origin of the State University, still enjoys freedom from taxation as a whole or in part. The same is doubtless true of California, where you have the old New England College as a private institution in the midst of your immense

State University covering all fields of educational endeavor. Still, with one or two notable exceptions, the problem in New England is not precisely the same as in the West. Excellent as the State colleges may be in New England, they are over-shadowed by the privately endowed colleges and universities, at the head of which stand Harvard and Yale.

From time to time during the last half century, and especially during the present economic depression, the question of taxing all privately endowed educational institutions has become a lively topic of debate in New England, as elsewhere. On the economic side the argument in favor of exemption is based on the claim that the advantages more than offset the losses to communities in taxable property. For example, (1) all the land in the community is worth more to the occupant and to the assessor because of the educational institutions; (2) educational institutions bring to the community a large amount of taxable personal property of teachers and others; (3) members of families move near these institutions for the sake of educating their children; (4) these educational institutions give employment to a large number of consumers; (5) students help to support the shopkeepers; (6) colleges and universities add distinction to a community.

On the side of culture and scholarship, it is maintained that no institution without the assistance of large endowments could possibly carry on the great lines of research now being conducted for the advancement of knowledge, particularly in the realm of the natural sciences. Doubt is expressed as to whether the munificent gifts, running into the millions, of the present generation would ever have been made if institutions of the highest learning were subject to local or State taxation.

The great question in New England is how to preserve these powerful influences in our civilization and at the same time to eliminate certain abuses and to relieve municipalities in case educational institutions threaten to become a burden to the taxpayer. In the course of their development, these institutions often acquire land which is not immediately needed for educational purposes. This should always be taxed. Sometimes the houses for instructors in private schools and private colleges that are exempt from taxation are built on the campus, and so technically escape taxation. As a rule colleges and universities of New England do not ask for exemption on property that is not used strictly for educa-

tional purposes. On property from which they derive profit they, as a rule, pay the usual tax. By agreement with municipalities, they limit their real estate purchases within fixed periods. That is, they promise to take no more land out of the tax list for the next year, or the next two years, or the next five years, as the case may be. They build and repair streets adjoining their property. They have their own police force. They perform innumerable services to the public free of charge; and this is particularly true where there are medical schools that are connected with universities.

Perhaps we are in a transition period. What the future may demand is uncertain. Theorists are abroad who would tax the land and buildings of all privately endowed educational institutions, and leave it to legislatures to make grants in return to those institutions deemed the most worthy of assistance, thus consigning educational institutions to the mercy of politicians. God grant that that will never happen during my lifetime. More moderate theorists, however, would confine taxation to the land upon which have been erected the buildings of these universities. It may be that some compromise beyond what has yet been made will become necessary, in certain instances, at least, in regard to taxation on land. Any policy going beyond that, beyond mutual agreements, such as a reimbursement for loss when considerable land is removed from the tax list, would in my opinion put an end to the chief glories of New England's educational civilization.

Supposing we should tax at their full value all those buildings in Harvard and Yale, they would go out of existence at once. The State would have to substitute for them, at tremendous expense, other institutions.

This, gentlemen, is about all I have to say on the subject this morning. I have outlined the views that are generally taken for and against exemptions. I hope that you will feel like discussing the whole problem. You will notice what I have said. We have no personal income tax in Connecticut; we have no sales tax in Connecticut, except on gasoline, and for that reason it seems to be a fine place to live in.

(Applause.)

CHAIRMAN FRED B. BALZAR: Thank you, Governor Cross. I appreciate that the members have found your discussion most interesting, illuminating and educational.

Now, before we proceed with the program, and we are running right on schedule, is there any member of this Conference who desires to interrogate Governor Cross as to his ideas on the subject which he has just discussed?

GOVERNOR THEODORE F. GREEN: There is one question that it occurs to me to ask, and that is this:

CHAIRMAN FRED B. BALZAR: You may proceed.

GOVERNOR THEODORE F. GREEN: Without going into the fundamental questions he has raised, whether it isn't well to make the rule that there should always be some definite limitation for every institution as to the amount of property held exempt from taxation. The reason it seems to me that is advisable is this: I can best make it clear by giving a specific illustration. I am a lawyer, and before I was Governor, I was counsel for a large private institution which was exempt from taxation. Someone died and left them a couple of million dollars; and they took the grant, which was beyond the limitation set in its charter. They asked me to attend to seeing that the limitation was raised by some three million dollars. That was the vote to take care of this special bequest and some additional gifts they hoped to attain; and I advised them that in my opinion it was very doubtful whether the General Assembly would agree to such a large increase, but I thought that we might get through an amendment removing any limitation at all. Now, to most members of the General Assembly that seemed a much more reasonable and moderate concession than to increase the amount from one million to four—to increase it from one million to an unlimited sum. There is great danger, as we see in the history of other countries, that some institutions may acquire so much of the property of the community that it is contrary to public policy; but if there is a definite limitation put on every institution, that evil probably would be avoided. I would like to hear Governor Cross' ideas on the subject.

CHAIRMAN FRED B. BALZAR: Governor Cross, will you answer the question?

GOVERNOR WILBUR L. CROSS: Well, I don't know. Supposing we take the case of Harvard. That is right there in the center of Cambridge, and taking more and more of the property. The university comes to some arrangement with Cambridge in regard to that.

It doesn't say that it is going to stop its growth at a certain point, but for the next two years, no more property will be taken out of the grand list, and we will contribute voluntarily to the support of the government of Cambridge.

GOVERNOR THEODORE F. GREEN: My question isn't directed to the policy of the town; it is the policy of the State. Ought it to allow any institution to grow so rich and so powerful? Ought it not have the right to restrict its further growth if it sees it is advisable?

GOVERNOR WILBUR L. CROSS: It does have a right, doesn't it? The State does have that right.

GOVERNOR THEODORE F. GREEN: It doesn't have a right, unless it puts a limitation on the amount of money it could receive.

GOVERNOR WILBUR L. CROSS: It can do that, certainly.

GOVERNOR THEODORE F. GREEN: That is my question. Isn't it advisable that the State should make that rule?

GOVERNOR WILBUR L. CROSS: I don't know as to that. That depends upon what the institution is. I shouldn't be able to answer that question. I think every instance should be considered by itself. I don't know if any of our privately endowed universities have got to the point where you should say, "You shall grow no further."

GOVERNOR THEODORE F. GREEN: That is not my point. My point is whether the State ought not to reserve the right to decide for itself.

GOVERNOR WILBUR L. CROSS: Doesn't the State have that right?

GOVERNOR THEODORE F. GREEN: Not if it gives unlimited power.

GOVERNOR WILBUR L. CROSS: Well, the State of Connecticut does not give unlimited power.

GOVERNOR THEODORE F. GREEN: In many instances it does.

GOVERNOR WILBUR L. CROSS: In the case of some of those schools, it may be that the government gives almost unlimited power, but they can't—for ex-

ample, the State of Connecticut fixes the amount of property that Yale can hold exempt from taxation. There is a fixed amount. I do not know what it is in Massachusetts. It is a pretty big question to answer. I can't answer that question, but, of course, except to say this: That the government of any State is in the hands of the people, represented in their General Assembly, and they have, I suppose, the right to do anything that they like, haven't they? They can amend the charter, can't they?

GOVERNOR THEODORE F. GREEN: Not if the institution has received the money under the conditions of the charter then existing.

GOVERNOR WILBUR L. CROSS: That is, if there had been endowments given, so I can't say; I can't answer that question. I don't think that any of our New England colleges and universities have reached the point where it is considered necessary to curtail their growth, surely.

SECRETARY CARY AUGUSTUS HARDEE: Mr. Chairman, the constitution of the Governors' Conference gives an ex-Governor the privilege of discussion; and yet, though I have been connected with the Conference for a great many years, I have never felt like exercising the privilege, because I feel that the discussions should be by those that are in authority; but I do want just a moment to say something about my own State, because we have taken a very advanced position on this subject, and one in which I think we are very vulnerable.

I assume that all of the States have constitutional provisions exempting from taxation churches and property of a benevolent and charitable character. I think it is right that it should be; but I assume that it is a burden—in fact, I know that it is a burden in a great many of the States, and it seems to me, in answer to the question of Governor Green, that there should be some sort of a limitation upon it; but that is not what I want to speak about.

I think Florida did a foolish thing, and I am willing to confess it, and while it took place in my administration, it was not at my instance, but it was over my opposition,—a foolish thing, when we wrote into our constitution a provision against the inheritance tax and the income tax. My opposition to it, however, was like pitching straws against the wind. We were in a boom



period; and if there is any period when a State constitution should not be amended, it is when you have got a boom on. In fact, there are two periods when you ought to be very careful about adopting constitutional amendments, and that is in a boom period, or the reverse of that, when you are in the trough of a depression. Anyhow, we wrote that provision into our constitution, spurred on by the Chamber of Commerce idea that we would be getting residents, a lot of citizens from you other fellows. Practically, I don't think it worked out that way. While we have a great many people coming to Florida, and have had for a great many years, I doubt that very many people came down there and established citizenship simply because we had such a constitutional provision. It always seemed to me, too, that it was placing ourselves rather on a cheap basis. How much finer to invite citizenship from other sections of the country based upon the idea of natural resources that you have, rather than upon the cheaper appeal of exempting them from taxation along certain lines. We have even gone further than that. Four years ago we eliminated the ad valorem assessment of automobiles. There isn't an automobile that is assessed in Florida, by reason of that adoption. And the last Legislature has gone even further. We have proposed a constitutional amendment in Florida, and it will be ratified, I assume, by the electorate, to exempt homes from taxation. A homestead in Florida is 160 acres of land in the country; it is a quarter of an acre in an incorporated city. Wherever in a city, a home does not amount to more than \$5,000.00, then it will not be assessed for taxation; a further cheap, a further weak position, it seems to me, because it involves a moral question as well as a legal question. Moral in this: That it isn't good in morals for a man to make an obligation, and then farm off his property to prevent the payment of the obligation. Most of the political divisions in our State, as I assume in most of your own States, are bonded. Our State is not bonded, but our political divisions are heavily bonded, and especially is that true in south Florida. Here in these precincts, in the room of the Supreme Court, there seems to be a constitutional question involved, as to whether or not a political division that has bonds out on it can take advantage then of a legislative act exempting a large bulk of property from taxation, the source from which revenues must come to meet those obligations. Anyhow, I do not know what our Supreme Court will do with it. I assume that the electorate will ratify it.

We have gone along on the policy the last few years of closing the doors to this source and that source of taxation, and we have not done the next logically important thing of opening the door to some other source. And as we are closing the door to the ad valorem physical property assessment, it seems to me that we have got to open the door to that larger field of indirect taxation; and that will bring up the subject for discussion later on in the morning of placing the burden upon industry, which means a sales tax.

CHAIRMAN FRED B. BALZAR: Any further discussion on the question of tax exemption?

GOVERNOR JOHN G. WINANT: Mr. Chairman, may I ask the Governor a question?

CHAIRMAN FRED B. BALZAR: You may.

GOVERNOR JOHN G. WINANT: In your discussion, Governor Cross, you said you had no income tax.

GOVERNOR WILBUR L. CROSS: Personal.

GOVERNOR JOHN G. WINANT: No personal income tax in Connecticut?

GOVERNOR WILBUR L. CROSS: Yes.

GOVERNOR JOHN G. WINANT: I wonder if the endowment built up in the Yale University, for example, in Connecticut, and in Harvard University in Cambridge, Massachusetts, whether those incomes are exempt, and what your opinion was as to such exemptions.

GOVERNOR WILBUR L. CROSS: You mean the exemption of the bequests?

GOVERNOR JOHN G. WINANT: Yes.

GOVERNOR WILBUR L. CROSS: That is another question. I am rather inclined to think that they ought not to be exempt from inheritance taxes.

Of course, Harvard and Yale and the other universities are afraid that if they are not exempted, that they won't get those bequests. I rather doubt that. I don't think it would make any difference. I think on the whole I should be in favor of a tax on the inheritance.

GOVERNOR JOHN G. WINANT: In a State, Governor, where there is an income tax, would you approve of exempting income running to eleemosynary institutions from that tax?

GOVERNOR WILBUR L. CROSS: That is, the property of the eleemosynary institutions. You refer to lands, do you?

GOVERNOR JOHN G. WINANT: No, I refer not to lands.

GOVERNOR WILBUR L. CROSS: To securities?

GOVERNOR JOHN G. WINANT: Yes, to securities.

GOVERNOR WILBUR L. CROSS: Oh. I think you have got to exempt them. I should think so, or they couldn't function. My impression is that there is a feeling that some do not understand the great functions that are performed by those eastern universities. Why, the State of Connecticut could never support a Yale University. Massachusetts could not support a Harvard University. It would be on a much smaller scale. All those wonderful buildings that they have there, you know. If we were to tax the way some would say, we would have to put up cheap wooden buildings, and that is all, and the architectural effect would all disappear; the value of the surrounding property would not be what it is now. Now, you see, Connecticut is peculiarly situated. We have these big life insurance companies there, the public utilities, and we have not a personal income tax, but we tax their gross income; and it is for that reason that we are able to escape the personal income tax. Usually about a cent and a half on gross income.

CHAIRMAN FRED B. BALZAR: Does that answer your question, Governor?

GOVERNOR JOHN G. WINANT: Yes. Thank you.

CHAIRMAN FRED B. BALZAR: We have about thirty minutes remaining for our program this morning, as far as time is concerned; and I think this time could well be used in a discussion of the sales tax, an informal round table discussion, as it were. So I am going to call on the Honorable Governor Blackwood of South Carolina to open up the discussion.

GOVERNOR I. C. BLACKWOOD: Mr. Chairman.

CHAIRMAN FRED B. BALZAR: Governor Blackwood.

GOVERNOR I. C. BLACKWOOD: I am not right sure that I understand how I happen to have this privilege, but I have been trying to be a right good sport

since I have joined this delightful party, and I have had the honor of doing, or trying to do, a good deal of pinch hitting. A great many of those who were expected to lead these discussions, by virtue of the fact that they had peculiar advantages in that they had definite and extensive knowledge in respect to them, have failed to appear. The highest exponent of the income tax, from the point of experience, is the Governor of Mississippi, Governor Conner. He is distinctively a pioneer in the field of definite sales tax. In so far as I am informed, every State has something that by way of analogy is equivalent to a sales tax, whether they so denominate it or not. They have been moving in that direction consciously and unconsciously under the general law of necessity for a number of years.

In my State, with a population of something slightly less than two millions of people, we were confronted by rather a peculiar situation. I do not know that it is emphatically peculiar, but it was unprecedented in recent years in our State. We had enjoyed a regime of prosperity of a brief duration, and had begun to be progressive and enterprising along the lines of public service, and had brought ourselves under the necessity of raising a great deal more revenue than hitherto we had received, and then almost suddenly we learned that we had a decreasing revenue, rapidly decreasing revenue, and that we were confronted by a deficit that had been accumulated over a period of perhaps a decade, and that there was no decrease in the demand for public service, the quality of the public service, nor the extent of the public service. So there was the necessity of economy; there was the inescapable necessity of trying to balance our budget; and under these circumstances, we began to debate the various possible fields for revenue; and it occurred that the sales tax was one of the most equitable, one of the most just fields that had not yet been explored. I might say that it has been my observation, and it is my conviction, that the tax question will never be permanently settled. Progressing as we are, changing our plight, as we must from time to time, there are going to be new problems from year to year. The finest textbook that can be had on taxation at this time would in all probability be entirely obsolete and out of place within less than ten years. There are a few things that are permanent and enduring in respect to taxation. One of them is the absolute necessity to raise revenue, the exacting demand that taxation methods be imposed; and, on the other hand, the eternal

dissatisfaction among those who have to pay taxes. It will always be a field of agitation and discord that will have to be reckoned with by those who attempt the leadership of the different States and counties, and municipal subdivisions. If, however, we can approach a high degree of equality in taxation, and constantly maintain a sentiment of economy in the expenditure of the revenue procured, we are moving along lines that ought to make for harmony and satisfaction in the realm of public economy.

Mississippi, in so far as I have learned by discussions briefly with the Governor and the Tax Commissioner, has had a most satisfactory experience in the matter of enforcing the sales tax. Mississippi found herself in rather a grievous plight, almost suddenly, just as she was, like other States, trying to emerge from the reactions that came upon us as a result of the great World War. It appeared to her that it was going to be impossible to meet the requirements, and driven, I might say, by necessity, they adopted a small sales tax—I will say small. Of course, these statements are all rough, and not claimed to be exact and definite. Mississippi levied a tax of, as I remember, three per cent on all commodities, or practically all commodities that were handled within the borders of the State; and in that way, with a population of something less than two million people, about fifty per cent, or more than fifty per cent of whom are colored, people who produce but small incomes and have but limited prospect to spend, they gather in something like three and a half or four millions of dollars annually, or at least, thus far the indication is that with such a tax, they will have an income of something like three and a half or four millions of dollars. That has enabled them to relieve a very distressing situation.

Now, there will always be some objections on the threshold of this problem wherever it is presented; just as when you attempt to assume control of certain local situations by the State, there are those who eloquently and forcefully argue that that is adverse to local self-government, and will not do. There are those that will argue that you are taxing sweat and labor and poverty when you impose a sales tax; but when properly analyzed, it assumes a different complexion. The poor we have with us always. Charity will always be calling at our gates; and it is one of the chief concerns of governments, national and state, to see that the human element is promoted, whatever else may be neglected.

If one has money to spend, just commensurate with so much as he is able to spend, he certainly is able to pay taxes. If his income is meager, if his spending power is small, there would be but little exacted of him. And when we think of it, no institution can be run alone by the rich. The rich are too few in number. Churches, schools, enterprises, patriotic, social and otherwise, all over this country, have experienced that they cannot depend entirely upon men of wealth to contribute the sinews of war. It would not be sufficient. The poor who have money have it by virtue of the fact that in some way or another, either directly or indirectly, the wealthy have contributed to them; and when they trade, they are manifesting evidences of ability to pay taxes; when they enjoy luxuries, they are manifesting evidences of ability to pay; and even if they gather in from those who have more than they have, those who are more fortunate, after all it is gleaning the fields of possibility in a painless sort of way, and giving everybody an opportunity to have a part in the government. Everybody enjoys a participation in the government. If a chauffeur is drawing \$50.00 a month, he couldn't pay much, it is true; but he has the protection of the police power; he has the protection of the laws of the State. He and his family enjoy the privileges and immunities that properly belong to citizens and their families; and to call upon him for a small tax is nothing more than giving him an opportunity to have a part in the government that he ought to love, towards whom he is willing to pay his constant fidelity and patriotism. That is the view that I have accepted of a sales tax. I wouldn't state what would happen as between those who pay the sales tax and those who pay taxes upon real estate and large property holdings; those who occupy positions of importance in corporate entities. That is a different field entirely.

There is one thing about a sales tax: In my State, about seven years ago, during my first campaign for the governorship of the State, there was being debated what was to be known as the luxury or nuisance tax; a tax that was proposed to be imposed upon bottled drinks and a few other luxuries and drug store commodities. The proposition was for so great a tax that I opposed it on every rostrum in the State upon which I appeared. However, it was passed by the General Assembly, and was soon recognized as a very wholesome, satisfactory tax in the main. A tax of something like a penny on each bottle of Coca Cola and ginger ale amounts to

something in the neighborhood of a million of dollars, a right considerable sum of money in a small State. If, however, there were a general sales tax passed, that ought to be regulated downward. There should be an equality. There should be recognized those elements that so frequently produce discord and irritate people. We cannot hope in the agricultural Southern States to contribute as largely as we have contributed from real estate. We have confronted that proposition, and declared definitely for the present that there must be some relief for those who own farms and homes. We have determined that we cannot expect much revenue as hitherto we have enjoyed from people who pay income tax. They do not produce the incomes. We find that the revenue accruing from licenses and other fields of taxation in their various divisions do not amount to a sufficient revenue to maintain the required activities of the State. So at such a time it seems to me that we should be willing to recognize a new principle—it is not, perhaps, a principle; it is a new feature—and fall upon the adoption of a sales tax. I fancy that the Federal Government will soon bring us into it so far as they are concerned. The Federal Government does not hesitate to invade a new field of taxation.

Now, what I think should be done—this is a departure from the discussion, a definite discussion of this question—is to have in every State, if possible, a highly intelligent, capable committee to collaborate with the agencies of the Federal Government—that is, the taxing agencies, with a view of approaching uniformity in taxation. I think it would be a splendid thing for us to do, and spare us from a great many unhappy situations.

In Mississippi, they have found that this tax amounts to about 12 or 15 cents per month per capita. Now, that is not very much money. Even the poor, even those who depend upon the bounty of others for their livelihood, would not be seriously affected by that. Their accounting department has adopted methods by which they can determine how much each township, each county, each district, pays. They can determine approximately, at least, how much they get from certain industrial centers, how much they get from this class of taxpayers, and that class; and they have broken down their accounting methods in such a way that it is having a very wholesome effect. It keeps constantly before the taxing powers the information that tax collectors really ought to have.

Now, in my State, it is obvious that we never have had enough information about the sources of taxation, sources of revenue, enough information about the methods that must be employed; and we have just in a casual, fragmentary way, gone about gathering up what we needed. We are certainly retarded in most of the States in this Union in methods of taxation; and whatever may happen to us, whatever may be our necessity, we are upon the verge of a new day in matters of taxation.

The methods that we adopt will endure, how long I do not know; and the methods that we hesitate to adopt and accept, we can escape, how long I do not know.

I find this, however, true: That some State will boast of its splendid success in meeting fiscal problems, and within a short while you find that they have come upon an evil day, just as the other unfortunate States. You will find that some State that has been rather retarded in its taxation methods, in its fiscal solutions, suddenly falls upon some new method, and comes into prominence and favorable notice. You can glean this country for information concerning taxation, and the probability is that you will not find the most progressive tax methods practiced by the metropolitan centers in the great strong States. Some of the comparatively obscure—I won't say obscure, for no State is obscure—but some of the smaller States, the more modest States, have adopted some of the most progressive tax methods, and the methods that were entirely shocking upon the very suggestion only a few years ago, have come into favorable acceptance; and one of the fields, it seems to me, is the sales tax. The sales tax probably will make for economy. It very likely will cause people that have never kept any account, people who have unconsciously spent a lot of money, to recognize the fact that in order for the poor to make any progress, that they must economize. There are a hundred opportunities to save a small bit of money, where there is one opportunity to make any considerable amount of money. It will keep constantly before the minds of the spending public the magnitude of the problem of expenditure.

Most of our people do not recognize how much money they spend. I do not, I know. I go about buying the things that I think I need and must have, as I have the wherewithal to procure them, almost oblivious to the significance of the amount of money that I am spending. On the contrary, I know of those in my experience and acquaintance who have employed rigid, continuous



economy, and have in the course of a few years accumulated almost a comfortable fortune. Now, this I have said in this superficial way, not having given it any peculiar, definite study, merely for the purpose of opening up this discussion. I am taking for granted that there is no Governor here who does not know just as much about the sales tax as I do; and if you do not know it, you can become acquainted with it upon a brief study and reflection.

(Applause.)

GOVERNOR WILBUR L. CROSS: I should like to ask one question. Where they have a sales tax, do they reduce taxes on real estate?

GOVERNOR I. C. BLACKWOOD: They did in Mississippi. That is what we hope to do; that is what we must do. We couldn't pass it through our General Assembly unless we proposed to reduce taxes on real estate.

GOVERNOR WILBUR L. CROSS: I recall very well when I was a young fellow, they used to say, "Well, Cross, don't you believe in the income tax?" I would say, "Why, yes, the income tax is the fairest kind of a tax," but, I said, "you may rest assured that when you get an income tax, the old tax will remain just the same." And they would say, "Cross, don't you believe in a sales tax?" "Yes, I believe in a sales tax, but your income tax is going to remain just the same." That is what we see in the tax policy of the United States Government. They increase the income tax and slap on the sales tax. We are persuaded to accept the advisability of a new form of taxation. We accept it, yet the old remains. That is the difficulty in the whole situation, which really amounts to looking for new sources of taxation.

GOVERNOR I. C. BLACKWOOD: Hitherto, Governor Cross, that has largely been the case; but we are learning that we must practice economy, aren't we? We are trying to retrench. We have determined to retrench. And we certainly cannot explore new fields of revenue; and simply because it amounts to more money, spend all that we have been spending as an income from other sources, and claim that we are economizing, or that we are making a substantial reform in matters of taxation. We could go ahead and spend it, of course; I mean, if your people would permit it; but that ought not to be done.

GOVERNOR WILBUR L. CROSS: Now, you have something in the way of a sales tax in South Carolina, the so-called nuisance tax.

GOVERNOR I. C. BLACKWOOD: Yes.

GOVERNOR WILBUR L. CROSS: Well, has that resulted in reducing the tax rate on real estate?

GOVERNOR I. C. BLACKWOOD: I can only say this: That if we had not had it, if we had not had the nuisance tax, we certainly would have to levy a heavy tax upon real estate and upon incomes and other sources.

GOVERNOR WILBUR L. CROSS: That is, to increase the tax?

GOVERNOR I. C. BLACKWOOD: Well, not entirely so. You see, we have had a contraction in our State. I rather think that is the experience of every State, that you have had a decline in revenue. We propose to do something like this: We have a county levy and a state levy on real estate. Our state levy is almost negligible; and yet it is a State tax on real estate of five mills. It is our purpose, if we adopt—that is our argument—that is our persuasion—that if we adopt the sales tax, we are going to abolish the five mills State tax, and turn the real estate over to the counties and municipalities to meet their situation locally.

GOVERNOR WILBUR L. CROSS: Yes, but my point is, they are all saying that sort of thing, but it is never done, so far as I know, in my experience. When you get a new source of taxation, the old remains where it was.

GOVERNOR I. C. BLACKWOOD: We are going to in one and the same act provide for that, by abolishment of the five mills upon the adoption of the sales tax.

GOVERNOR PAUL V. McNUTT: It has been accomplished, so far as we are concerned, by adopting the limitation measure, limiting the tax on real estate to \$1.50 in incorporated cities, but \$1.00 in townships outside the incorporated cities. It was a companion measure to the gross income tax. In that way you can make certain that the savings will be reflected.

GOVERNOR WILBUR L. CROSS: That is the only way to do it, so far as I can see.

GOVERNOR I. C. BLACKWOOD: Oh, yes, you can do it that way. Governor Rolph?

GOVERNOR JAMES ROLPH, JR.: Governor Blackwood and Mr. President, may I present the fact that the Supreme Court have called to pay a visit upon the Governors.

GOVERNOR FRED B. BALZAR: Pardon me, Governor Rolph.

GOVERNOR JAMES ROLPH, JR.: Might I say, Mr. President of the Conference, that the Supreme Court are without, and would like to call and present their compliments to the Governors.

GOVERNOR I. C. BLACKWOOD: At your service.

CHAIRMAN FRED B. BALZAR: You may do so, Governor Rolph.

(Recess.)

CHAIRMAN FRED B. BALZAR: I have been informed by some of the Governors that they have a noon-time appointment. It is quite likely we can continue this discussion on into the afternoon discussion; but before I exercise my prerogative and declare a recess, I am informed that the State of Ohio has some problems along the line which has been discussed this morning, and I know that the members of the Conference would be glad to hear from Governor White as to his ideas upon this subject.

Would you favor us for about five minutes, Governor White, please?

GOVERNOR GEORGE WHITE: Mr. Chairman.

CHAIRMAN FRED B. BALZAR: Yes, Governor White.

GOVERNOR GEORGE WHITE: I have had some problems, and had a steam roller run over me two weeks ago, which made my first reverse in the Legislature in three years, very definitely in advocating a sales tax. I am not yet convinced that a sales tax is equitable as a permanent source of taxation. We have balanced our budget, and have brought it from eighty-four millions to forty-six millions, and do not need the sales tax, for administrative expenses; but we have certain obligations at Washington for relief purposes, and some of the newspapermen asked me about it this morning—I told the State that it was necessary to raise \$12,000,000, or our relief program would be in danger within a month; and I don't know that I am gratified about it, but Mr.

Newton Baker went down there to persuade the boys otherwise, and told us very definitely, as I see in the papers, that we should raise our money in the State. There is this objection, in an industrial State like Ohio—my neighbor, who is not here, has got a sales tax, but to the east, Pennsylvania has not, and we have a city, for instance of 200,000 right on the line, and naturally, the great objection from that source, and from the south, a city of 500,000 lying along the Kentucky border, the argument is made, and with some reason, that purchases would be made across the line, and thereby losing trade in the State. It was a case of necessity; and though I have been battling with the Legislature for six weeks on it, I am not discouraged, but because of the necessity, I am still endeavoring to have it passed. They have passed a so-called nuisance tax, which did not meet the question, a two-cent per capita tax on beer, which would be a tax, Federal and State, of about twelve and a quarter a barrel, which they very properly objected to, and which would put so heavy a burden on bottled beer as to put it out of business; but I do believe, as an emergency measure, it is an equitable source. As it has been said here, not in just that many terms, it makes the people tax conscious, perhaps too tax conscious; but there is no source that I can find in Ohio to raise adequate relief for real estate; and, of course, we did provide in the bill that our limitations in the State are 15 mills, and a definite two mills and a half in the school districts for education. And I believe that if the sales tax is to be a permanent source of revenue, it must come from the Federal Government. I cannot see any objection to the Federal Government collecting a sales tax and returning to the States their proportion. There is not time here to discuss my objections to the general principles of the sales tax, but as Governor Blackwood said, we are in a transition period, and perhaps eventually a general sales tax will become an avenue of taxation for the State alone. That is the principal objection, that business flows over the line to the State that has not a sales tax. And Pennsylvania tried one—Governor Pinchot is not here—it has been used as an objection to the sales tax, that they repealed theirs in six months; but on the other hand, they have promised Washington to raise \$15,000,000 by bond issue. Ohio has no bond issue, and the people have been educated to vote against bond issues, so I have no source of revenue from that side; but there is that argument of the sales tax, that it makes the taxpayer tax conscious, and he may be more watchful in his voting for the members of the

Legislature, State Senator or the Governor. The Governor from the South is having his trouble, I see in the papers. I hope that he comes out better than I did.

CHAIRMAN FRED B. BALZAR: The hour is growing late; and I think we could put our further discussion of this most vital question over until this afternoon; but there is one thing we have learned. As you recall at our last session in Richmond, Virginia, we were admonished to go ahead and balance our budgets. Well, we have two fine confessions this morning, two of our honest Governors, wherein they tell you that their budgets have been balanced. I anticipate that before this meeting does adjourn, that all the Governors will come in and say that their budgets have been balanced, and in accordance with the policy set up heretofore.

Now, exercising—

GOVERNOR CARY AUGUSTUS HARDEE: Mr. Chairman, before you adjourn, may I call attention—

CHAIRMAN FRED B. BALZAR: Yes.

GOVERNOR CARY AUGUSTUS HARDEE: I move that a committee be appointed by Governor Pollard as a resolutions committee, to draw up proper resolutions to be presented tomorrow afternoon before we adjourn.

CHAIRMAN FRED B. BALZAR: If there is no objection, Governor Pollard is instructed to appoint a resolutions committee.

GOVERNOR JOHN G. POLLARD: I appoint Governor Cross, Governor Miller and Governor Park a committee on resolutions.

CHAIRMAN FRED B. BALZAR: Is there any further business now coming before this meeting? If not, I declare a recess until three o'clock this afternoon.

SECRETARY CARY AUGUSTUS HARDEE: Mr. Chairman, may I say a word?

CHAIRMAN FRED B. BALZAR: Yes.

SECRETARY CARY AUGUSTUS HARDEE: Looking over the program there, you will find the program for the afternoon; but the Governors that were to speak on the program this afternoon found it impossible to come after the program was made, and so we shifted it somewhat; and the first thing this afternoon will be an address by Governor McNutt on the "Enlargement of

Federal Authority," and following that, perhaps, we hope to have on this very live subject a general round table discussion of it.

(Conference adjourned until 3:00 P. M.)

**State Supreme Court Chambers, State Building  
San Francisco, California.**

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**Tuesday, July 25th, 1933, 4:00 P. M.**

**CHAIRMAN THEODORE F. GREEN:** Gentlemen, will you please come to order. You remember an audit committee was appointed at Sacramento. The committee is ready to report. Governor Balzar is ready to report.

**GOVERNOR FRED B. BALZAR:** Mr. Chairman, your committee on auditing beg leave to make a report at this time that we have checked the expenditures of the Treasurer, Mr. Wilson, and we find everything correct and in order.

**CHAIRMAN THEODORE F. GREEN:** If there is no objection, the report will be received and adopted. The Chair hearing none, it is so ordered.

When we took recess this morning, we were discussing the sales tax. Apparently it was assumed that there were not two sides to the question, although we all know there are two sides. Doesn't someone wish to present the other side, at least for special discussion? Has the Governor from New Hampshire anything to say?

**GOVERNOR JOHN G. WINANT:** I would only like to ask a question, if I might.

**GOVERNOR I. C. BLACKWOOD:** Yes, all right. Inasmuch as I opened the discussion, you can address the question to me, and I will answer. I will either tell you, or I will tell you that I don't know, one or the other.

**GOVERNOR JOHN G. WINANT:** There are some of us that have studied the sales tax who believe that it would fall heavily upon those who are least able to pay; and then there are others that believe the sales tax is an indirect tax; and although you argued that the payment of the sales tax makes people tax conscious, wouldn't a direct tax make them more tax conscious?

**GOVERNOR I. C. BLACKWOOD:** I think, Governor Winant, the primary and major importance of the tax, if it were imposed in any State, would be to make the people tax conscious; but it is always a good idea to

have everybody assume a certain amount of responsibility and duty for the operation of government. The taxes come from people who have it, some way or another. It matters not how a man drawing \$500.00 a year, or earning \$500.00 a year, from whom he gets it; if he is required to pay a small tax on what he buys, on the expenditures that he makes, it may indirectly come out of the proprietor or the man who employs him. It will, of course, come from either, but it affords him an opportunity—you know, we look entirely too much upon the discharge of duty as a burden. It isn't a burden; it is a responsibility; it is an opportunity. Soldiers, good soldiers regard the privilege of going into battle as an opportunity, and they go cheerfully, with a smile on their faces and good citizens, though they do not have to pay much, they scarcely know it. If a man doesn't have much money to spend, he couldn't spend much, and a small percentage wouldn't exact much from him. If he has much, and expends a great deal, he would contribute more. It is one of the finest measures of one's ability to pay that I can think of.

Now, there was a time, for instance, when we objected very seriously to the gasoline tax. It looked as if it were a very harsh tax, but there is no more just and equitable tax that I can think of today than the tax on gasoline imposed by every State, as I think, anywhere from possibly three to six cents, or even seven in some States. Now, if a man drives his car but little, he has to pay but little. If he drives much, he has to pay much. If he uses the road much, it just exacts from him commensurate with the privilege that he enjoys. And really, there is a great deal of wastefulness; there is a great deal of improvidence. There always will be. But when a man walks up to the counter and buys a hat, we will say, that costs three dollars or five dollars, and the merchant imposes a small tax of a dime or a quarter upon it, he scarcely knows it, and he goes along, and the burdens of State are carried on; but when you try to please everybody for the sake of popularity, when you attempt to exempt everybody just for the sake of pleasing them and making them think that they are enjoying preferential treatment at the hands of the government, and then finally come back to the people who have the property, or who would necessarily have to bear the brunt of the operation of the government, it is entirely too harsh on the people to economize and practice thrift and enterprise and to get ahead. And then again, when all is said and done, it occurs to me



that if a man hasn't the money wherewith to pay the taxes, he doesn't have to trade, in many instances. If that should be found too harsh, there can be exemptions in favor of the basic necessities of life; but when it comes to a matter of charity and poverty, the assured protection of those who are poor and have to suffer the adversities of misfortune, we take care of them. We always have. I look to see the time come,—and I hope it will come—that the Federal Government, and if not the Federal Government, the State Governments will maintain a pension roll for the aged and infirm, for when you take care of the insane, the aged, the infirm, the unfortunate, the deaf, the mute, the blind, and the students to educate and train, the children of the community, your roads and public institutions—why, then, a man hasn't got much to worry about after that; there isn't a great deal for him to be anxious about. There is no reason why we should look out for some way for him to have a whole lot of money in his pocket; let him look out for that. We must take care of the primary essential institutions. We can't be excused from educating the youth, enforcing the law, maintaining hospitals, the asylums for the afflicted and unfortunate, and when that is done and a man has had a part in it, he ought to be proud of the fact that he has had an opportunity to make a contribution along that line.

CHAIRMAN THEODORE F. GREEN: It seems to me that the argument against the sales tax hasn't been presented here in a way to bring out the real point of discussion. As I understand it, the argument against the sales tax is this: It isn't a question as between those who have nothing and those who have something, as the previous speaker has assumed. It is a question of whether it is fair between those who have a little and those who have much. It is assumed that everyone should pay a tax. Well, let us assume it—that is, everyone that has anything. The question is whether this is a fair tax on that assumption. If a man has an income of a thousand dollars, he eats a certain amount, he buys a certain amount of clothes, and buys a certain amount of things. The man who has an income of a hundred thousand dollars doesn't buy one hundred times as many suits of clothes, he doesn't eat one hundred times as much at his meals, and doesn't buy one hundred times as much of other things. In other words, the man who has little is paying a great deal larger proportion of the aggregate sales tax than the man who has a great deal; and at this time in particular it is

argued that we must increase the consuming and buying ability of the masses, as distinguished from the capitalist who has a great deal. That is the whole purpose of this Federal legislation; and the question is whether the sales tax under the circumstances is either fair or advisable.

**GOVERNOR I. C. BLACKWOOD:** Governor Green, that is a fine point, and I can see how it would naturally present itself; but the man who earns or has a hundred thousand dollar income and doesn't wish to spend it, has many opportunities, many requirements to pay taxes before he has his hundred thousand dollars left. He has his property tax, he has his income tax, he has his license; he has numerous tax features that reach him before you get down to that. That is exactly the point. We cannot expect the rich to bear the entire burden. Now, if it were a matter of sympathy, I would be in favor of just going along with the other crowd, but that is not the case. There are only a few rich people. There are only a few millionaires, comparatively few, when you consider the aggregate of the human family in this country, and the little fellow must pay something. He enjoys the privileges. It is for him. The roads are for the many; the schools are for the many; the privileges of life that we as a government afford for the masses are for the many; and we cannot afford to maintain a high standard of public service for the many, the numerous classes, at the expense of the few. It just simply won't work, and the rich man has to pay taxes; there is no escape for him. You needn't worry about him. They will get him at every turn of the road.

**CHAIRMAN THEODORE F. GREEN:** Well, I think the answer to that is that there are very few, but these very few have enormous fortunes; and that the great masses of people, the millions, haven't anything, and millions more, ten millions more have very little, and that that is the trouble with the whole situation which brought about the crisis; and unless that condition is changed under some such general legislation as is now proposed to be administered by the President, something more drastic must come; and the question is whether the sales tax is headed away from that rather than towards it.

However, I do not know if any of the Governors care to speak on either side of this question or discuss it further.

GOVERNOR PAUL V. McNUTT: Isn't the obvious answer, Governor Green, that those of small incomes have been paying no taxes whatever, despite the fact that they have partaken of all that the State gives in return for protection, and schooling of their children and all of that, without paying anything?

CHAIRMAN THEODORE F. GREEN: That may be that they are not paying any taxes, but I fancy there are very few States in which they do not pay something.

GOVERNOR PAUL V. McNUTT: I think it is surprising the number who are not on the tax roll.

GOVERNOR GEORGE WHITE: May I make this observation?

CHAIRMAN THEODORE F. GREEN: Surely.

GOVERNOR GEORGE WHITE: My friend from Indiana said that the masses pay the tax all the time indirectly. I followed that through the Ways and Means Committee, and traced it right through, and the ultimate consumer pays the tax, and that is one thing about the sales tax, and that is that it doesn't pile up, as it does now, from the top down.

GOVERNOR JOHN G. POLLARD: May I ask: Isn't the man who goes to the treasurer's office and pays his tax bill the one who bears the real burden of taxation?

CHAIRMAN THEODORE F. GREEN: Not always. It is often passed along to someone else.

GOVERNOR JOHN G. POLLARD: It is passed along; it is hidden away in everything that everybody buys; and in the last analysis, naturally all taxes that we pay are sales taxes, and they fall more heavily on the poor in proportion to their income than the rich, in my opinion. There isn't any such thing as living without paying taxes. A man who rents a house pays taxes. When he buys clothes, he pays taxes, hidden away in the price of the clothes he buys. The same way with his food. And I do not believe that the poor people in this country would receive any exemption. I believe that they are bearing their full share of the tax burden.

CHAIRMAN THEODORE F. GREEN: Any further remarks on the subject? If not, we will proceed to the next one.

I believe the Governor of Indiana, Governor McNutt, has been asked to address us on the subject of the "Enlargement of Executive Authority."

Won't you come forward and address us on that subject, Governor McNutt?

GOVERNOR PAUL V. McNUTT: Governor Green and your Excellencies:

I am certain the subject is in order. If we had many such days of entertainment, it would not be a question of enlarging the executive authority; it would be a question of enlarging the executive capacity.

This is a critical period, a time of stress and change. It places on those in public office tremendous responsibilities. It carries with it the possibility of far-reaching consequences. It offers an opportunity to prove that government may be a great instrument of human progress.

This period must bring forth a new, a greater, a continuous patriotism on the part of all citizens. Some look upon patriotism as a thing reserved for periods of armed conflict. They wait for the blare of martial music, the sound of marching feet, and the rumble of the caisson to quicken the pulse and inspire supreme devotion to the common cause. They are sustained by the excitement of the moment and lose all interest in public matters when hostilities cease. Such intermittent attention to the general welfare does not satisfy present needs.

The struggle to restore economic equilibrium is as grim and as real as any war. It calls for the same unselfish service, energy, intelligence and solidarity. It requires the same willingness to give all that we are and all that we hope to be without thought of reward save the accomplishment of high purposes. It demands something more—a critical and searching examination of all governmental agencies to see which, if any, have outlived their usefulness. This is the time for perfect candor—no bragging, no pretense that things are better than they are, no tolerance of what should not be tolerated. Such patriotism is necessary if we are to weather the present economic storm.

It is possible to know the truth without fear, to meet a crisis with indomitable courage. Yet, there are those among us who are afraid, who listen to prophets of evil. They profess to see the end of representative government, now rudely challenged by communism, by fascism, in some form or other, and, some think, by technocracy. They say that democracy in theory is not democracy in practice, that popular sovereignty is an elusive concept, that the right to have a voice in govern-

ment is not a prized possession. I wish to be counted among those who deny such a doctrine. I believe in the destiny of democracy as a system of government, believe in it more profoundly than in anything else human. It is true that science and the machines born of science have greatly altered the ways of men and women and have created manifestly serious problems. But the problems of the present are not more difficult than some for which satisfactory solutions were found in the past. This is simply another testing time for representative government. Our high enterprise must be to prove it sufficient in every circumstance and for every task which can come to a free people. We, of the United States, face a magnificent opportunity in which we, as lovers of freedom, dare not fail.

But the question is how we, as executives, may best serve this high purpose. Are we to go on, as we have during the years that have passed, especially during the past two decades, without any authority to go with the responsibility which has been placed upon us? We are held responsible by the people of our various States, and yet, for the most part, have had no real authority. We have always been under what might properly be called a mortmain policy,—and as a lawyer, I have always been against mortmain policies. Dead hands have no business, especially in this period of our national development. I know that all of us faced at the beginning of this year common problems, such as the meeting of deficits; I know that we faced in Indiana a deficit of three and a half million at the end of the fiscal year; and, therefore, it was necessary for us to look with much care on the balancing of the current budget, the making of a new budget for the next biennium, and the reduction and redistribution of the burden of taxes. A plan for the solution of these problems was laid before the General Assembly in the form of a complete legislative program, which is now in operation. The results are awaited with high hopes.

The estimated deficit was met and the current budget balanced by drastic limitations of specific and deficiency appropriations, as well as statutory appropriations not budgeted, reduction and the elimination of certain budgeted appropriations by the consolidation or abandonment of various activities, the retention in the general fund of certain revenues heretofore credited to specific funds, and the adoption of new sources of revenue capable of producing immediate results.

The consolidation of activities was accomplished through the enactment of what was designated as the "State Executive-Administrative Act." The consolidation of activities was accomplished through the enactment of that piece of legislation. For some time Indiana, and I know the same is true of most of our States, has witnessed the startling growth of bureaucracy in its system of government. Protests against this were futile and the creation of new commissions, boards, bureaus, and departments continued year after year. Upon investigation, the new administration discovered that 169 of these units had been created. The various agencies of government were not coordinated. Duties overlapped. Salary scales were not standardized. The entire plan was expensive and inefficient. Unhappily, the Governor had no power to correct this situation. Other chief executives of the State had recognized the fault and had invited successive Legislatures to correct it. The 1933 General Assembly accepted the responsibility.

The Executive-Administrative Act consolidated the 169 units into the following eight administrative divisions: The Executive Department; the Department of State; the Department of Audit and Control; the Department of Treasury; the Department of Law; the Department of Education; the Department of Public Works; the Department of Commerce and Industries. In addition it gave to the Governor full authority and responsibility. He has complete power to determine the tenure of office of every officer, employee, or servant of the Executive, including the Administrative Department of government except the constitutional officers and their deputies. He is also authorized to assign or reassign, transfer or retransfer any administrative power, duty or function to any one or more of the eight departments. Subject to the maximum limitations established by law, he has the authority to fix, modify, or change the compensation of any officer, employee, or servant of the State.

The enemies of this plan have called it a dictatorship. It is not that. Among other things, government is a business and must be managed as a business. The people of Indiana have made their Governor the general manager of governmental activities. He is a constitutional officer elected by and responsible to the people. Instead of creating a dictatorship, this plan makes possible the application of common sense and practical method to the important business of government.

The reorganization order under this Act was issued April 15. Within thirty days, economies totaling over \$1,500,000 annually were effected. By the end of the fiscal year, the other economies effected under the plan should raise the total to \$5,000,000 annually. More than a thousand employees have been dropped from the payroll permanently. Salaries have been reduced and equalized. Duplication of activities has been eliminated. All activities of the State Government are being coordinated. The service is better—the cost is less. The need for the strictest economy has been brought to the attention of every individual on the State payroll, and appointees have been selected on the basis of their fitness to serve in an administration which will follow business principles.

Some examples of saving are these. The reorganization of the State Highway Department reduced the overhead over \$51,000 a month. The cost of conservation activities will be reduced over \$100,000 a year despite the additional demands made by the President's reforestation program. By combining the activities of the Division of Public Health and the State University School of Medicine additional service will be rendered at a cost of \$80,000 less than the annual budget allowance. In one department, two men are doing the work of nine. In another, eleven employees are performing the functions formerly assigned to thirty-eight. All State employees will be held to high standards of efficiency.

That a government of the people can be economical and efficient was once theory. It is now fact. The new plan has justified itself.

The making of the new budget for the next biennium was marked by rigorous frugality without false economy. Without taking into account the savings under the Executive-Administrative Act, the budget was reduced \$4,000,000. This is not the only reduction. The office of township assessor in townships of 5,000 population or less was abolished, saving approximately \$240,000 a year. The per diem for jury service was reduced from \$3.00 to \$2.50 a day, a saving of \$25,000 a year. The salaries of members of precinct election boards were reduced \$65,000 for each election. A uniform county salaries bill, which standardized and reduced county salaries, effected savings of \$900,000 annually. The abolition of the office of county highway superintendent reduced the cost of government \$100,000 a year. The salaries of city officials were reduced

\$200,000 a year. Postponement of city elections for one year meant immediate savings of \$300,000. The reduction of prosecutors' salaries added \$25,000 to the total economies.

Despite the need for the strictest economy, the people of Indiana recognized that there were certain obligations which the State could not deny even in periods of greatest stress: the care of its wards and the education of its children. In the one the obligation runs to the unfortunates themselves. In the other the obligation runs to society as a whole. The hope for future prosperity and leadership lies in trained men and women. Children are born and grow up in periods of depression as well as in periods of prosperity. It is impossible to arrest their development. They have but one chance which cannot be postponed. Roads and buildings may well wait, but certainly not the children.

Notwithstanding the practice of economy in the administration of the school budgets, public education in Indiana faced an unprecedented crisis and the possibility of irreparable damage. To assure the continuation of proper standards of public education, the State undertook the payment of \$600 of the salary of each teacher and made possible the decrease of local levies to the extent of the funds provided. While most of the laws adopted had for their purpose the promotion of economy, this additional support for public education made it necessary to find new sources of revenue.

More than sixty-two per cent of the money collected as taxes last year in Indiana came from real estate. It was obvious that, despite reductions, additional demands on this source of revenue were impossible. In order to provide the funds necessary and to redistribute the burden, a gross income tax was adopted. A levy of one per cent on all productive activity including retail sales, one-quarter of one per cent on income from manufacturing, one-quarter of one per cent on income from wholesaling, became effective May 1. On the success of this law depends the ultimate balancing of the budget. The tax is not large and the burden is well distributed. While this tax is a new source of revenue, it does not mean an additional burden except to those who had failed or refused to contribute their just share of the cost of government. Savings in the tax on real property will amount to more than the total collected under the gross income tax. The total tax bill will be less. Just before I left, we made a determination of



what the savings would amount to, and they amount to 29 per cent of all taxes paid in the State for this year.

Supplementing this program was a strengthening of the law which fixes a maximum rate of taxation on tangible property. Only when emergencies are shown to exist are exceptions permitted to the provisions of this law. The general program also includes the enactment of a law for the taxation of intangibles, which has been sought for a number of years in Indiana. And as an illustration under this new form of taxation, we find that we are placing upon the tax rolls approximately thirteen times the total of intangibles which we had carried before. And in Marion County, which is the seat of the State Government, three million dollars appeared on the tax roll last year; this year, under this new form of taxation of intangibles, we have over thirty-nine millions on the tax roll.

On its face this appears to be a stupendous undertaking that ordinarily would take many months to put into operation. But it is functioning now and the new administration is highly gratified that the machinery is moving smoothly. It is natural that some imperfections can be discovered in a set-up as radically different as this one is from the old and established order. However, with the wide latitude which is given to those who have the responsibility for the success of the program, any imperfections can and will be corrected from time to time; and there will be no necessity for waiting a year or two until a session of the State Legislature in order to make these corrections.

The whole plan is designed to meet the emergencies of the present day. But in the background is the more far-reaching ideal of injecting efficiency in the operation of the State's business on the theory that once this is accomplished, the item of economy will follow as a natural course. It has been accomplished through the close cooperation of people with a common interest and it is being presented to Indiana with such frankness that even the most skeptical are being won to the support of its opportunities.

The problems demanded action. And how can problems secure action from executives unless executives themselves have the power. We could not wait, you cannot wait, and we dare not fail in the performance.

(Applause.)

CHAIRMAN THEODORE F. GREEN: I know that some of the Governors present must have questions to

ask; and Governor McNutt will be glad to answer them.

May I start it by asking one: That is, how you got the law through?

GOVERNOR PAUL V. McNUTT: The answer to that is simple. After the plan had been formulated, and the legislation itself had been drafted, I called to Indianapolis the members of the various State organizations, Chambers of Commerce, Manufacturers Associations, and the State Federation of Labor, League of Women Voters, all who had taken an active interest in government, and that evening, without the Press, we submitted the plan to them, and they asked that they be permitted to submit it to the members of their executive committees; and they had the plan for one week. At the end of the week, they called these executive committees to meet in Indianapolis, and I met with them. There were over 75 in that meeting, and after a complete discussion of our plan of reorganization, and the handing over of power to the Chief Executive, we took a poll of those men and women, who were about evenly divided in their political affiliations; and the vote, save one, was in favor of the plan, and that one declined to vote against it. So the following day we called a caucus of the House and the Senate simultaneously and presented the plan, and under a suspension of the rules, by six o'clock that evening it was a law. It didn't go to the press until that morning.

CHAIRMAN THEODORE F. GREEN: And the press did not publish it?

GOVERNOR PAUL V. McNUTT: No.

GOVERNOR JOHN G. POLLARD: I dare say that some of the savings to which you refer must have been saved in local taxes.

GOVERNOR PAUL V. McNUTT: None of the savings which I enumerated were saved in local taxes, that is, under this plan. We expect to save at least \$5,000,000 in the cost of the State Government alone. We have cut the cost of State Government, that is, State activities, including the benevolent and penal institutions, and the operation of the eight departments, \$400,000 a month.

GOVERNOR JOHN G. POLLARD: And what you had to say about savings, I was mistaken in thinking that any part of the savings effected were in local governmental expenditures.

GOVERNOR PAUL V. McNUTT: The total tax bill in the State has been reduced 29 per cent.

GOVERNOR JOHN G. POLLARD: The main complaint in our State comes from excessive local taxation. Has anything been done in your State to relieve local taxation? Was that a part of your plan?

GOVERNOR PAUL V. McNUTT: That was a part of the general program. It was one thing which was a subject of discussion this morning. We were speaking of new sources of revenue. Obviously, we couldn't place any additional burden upon tangible property; therefore, any additional revenue should be reflected in a reduction on the tax on tangible property; and to accomplish this we passed what is known as the \$1.50 tax limitation law, limiting the tax upon real and tangible property to \$1.50 on the \$100.00 of assessed valuation; that is, in the municipalities. In the townships, that limitation is \$1.00. The limitation may be exceeded only upon the authority of what is known as the Tax Adjustment Board, representing fairly the various interests: One Mayor within the county, for example, one Trustee, so that the township and corporation and all other interests may be properly represented. Of course, that was necessary in order that our State might not—or the municipal units might not repudiate some of their outstanding obligations. The tax rate in Indiana, for example, would be two and a half, by reason of outstanding obligations: bonds, interest on which must be paid, a sinking fund for retirement must be built; but it meant that if the spirit of the law was carried out, that there would be, and there has been, a substantial reduction in the taxes levied upon property. And then \$600.00 for teachers, elementary teachers and high school teachers—\$600.00 per teacher was sent back to local communities. That meant a reduction of not less than 40 cents on the levy, and in some communities it has meant a reduction of \$1.00 on the levy; and yet it has assured a continuation of our system of public education. In other words, by this limitation law, we have enforced the reduction of other taxes. That is a thing to which you referred this morning, Governor Cross.

GOVERNOR WILBUR L. CROSS: Yes.

GOVERNOR PAUL V. McNUTT: I know of no other way by which that can be done. Of course, you have to have the safety valve of a tax adjustment board, because of the outstanding indebtedness of some of our communities.

GOVERNOR JOHN G. POLLARD: Are there any communities in your State that cannot support their public schools?

GOVERNOR PAUL V. McNUTT: Not under this system. If the gross income tax produces what our experts tell us it will produce, our system of public education will go on unhampered.

GOVERNOR JOHN G. POLLARD: But it can't go on on \$600.00 per teacher.

GOVERNOR PAUL V. McNUTT: No, we have a minimum salary scale for teachers in elementary schools of \$800.00 a year, and in high schools of \$1,000.00 a year; but the remainder must come, and will come, and is coming from the communities themselves; and, of course, they can go on beyond that. There is no limitation to what they can spend on their schools if they so desire.

GOVERNOR JOHN G. POLLARD: I was also interested in what you said about the enormous increase of tax subjects in the field of intangibles. I believe you said that in one county, the increase was from three million to thirty-nine?

GOVERNOR PAUL V. McNUTT: Thirty-nine.

GOVERNOR JOHN G. POLLARD: Thirty-nine.

GOVERNOR PAUL V. McNUTT: The reason was, of course—

GOVERNOR JOHN G. POLLARD: Will you tell us in more detail how you accomplished that enormous increase?

GOVERNOR PAUL V. McNUTT: The reason was that with a tax rate of four, and even more than that, the taxpayers were not listing their intangibles. They were committing perjury every time they signed a tax return. And by limiting the tax on intangibles on a per cent value, and making it one hundred per cent, they did make a return; and the total tax return—that is, in taxes paid to the various units—is greater than it was before. People have a desire to be honest—if you help them.

GOVERNOR JOHN G. POLLARD: You reduced from what rate to the one?

GOVERNOR PAUL V. McNUTT: Well, it ranged four, almost five in some instances, on a one hundred

per cent valuation; but a man with a five per cent bond was not going to pay five per cent. There was not anything there for a return on his money, or for the risk of the investment.

GOVERNOR JOHN G. POLLARD: So you did it by lessening the tax?

GOVERNOR PAUL V. McNUTT: Actually that, in order to encourage the people to place their intangibles up for duty. That they have done. We accomplished that by using a stamp, and making it impossible to transfer the security, or to collect on it in the courts; and finally, if we do not get it by one or the other method, we find it when they are dead.

GOVERNOR JOHN G. POLLARD: Well, you really compel them to be honest.

GOVERNOR PAUL V. McNUTT: Yes, sir.

SECRETARY CARY AUGUSTUS HARDEE: Do you get money on deposit in the bank?

GOVERNOR PAUL V. McNUTT: Yes, sir, we do that. The banks favor that.

GOVERNOR LESLIE A. MILLER: What will the reduction on the rolls amount to?

GOVERNOR PAUL V. McNUTT: The reduction will amount the State over to 29 per cent.

GOVERNOR LESLIE A. MILLER: Money from taxes for State purposes?

GOVERNOR PAUL V. McNUTT: No, I mean for all purposes.

GOVERNOR LESLIE A. MILLER: For all purposes?

GOVERNOR PAUL V. McNUTT: And for State purposes, it has been cut in two. The reduction is 50 per cent. The rate last year for State purposes was 29 cents on the dollar. This year, under the \$1.50 limitation, it is 15 cents. Of course, the plan will succeed if the gross income tax is successful.

GOVERNOR JOHN G. POLLARD: What were the arguments used against your gross income tax?

GOVERNOR PAUL V. McNUTT: Those that are usually raised in the case of sales taxes. I had one very illuminating experience. Various groups of retail

merchants came in to say that they would suffer such tremendous losses that it would be impossible to carry on business if this additional—they called it an additional tax; in fact, it is not. Most of them will save money. They said that if this additional tax were levied, they would be ruined, and they insisted that the budget should be cut to such an extent that it would not be necessary to levy the gross income tax. So I invited the spokesman to come back the following Monday. He had complained of the losses he had suffered as an individual; and I invited him to come back Monday and go over the budget, item by item. I asked him if he wanted to do away with the penal institutions. He said "No." The benevolent institutions? He said "No." Our educational institutions? He said "No." I said, "Come back and we will go over this Monday, item by item;" and the reply was that he couldn't, he was going to Florida on Monday. I thought that was a sufficient answer—if anyone who has suffered such tremendous losses, could afford to go down to the Governor's playgrounds for a period during the middle of the winter.

GOVERNOR JOHN G. POLLARD: Do the States around you have a tax comparable to that?

GOVERNOR PAUL V. McNUTT: As a matter of fact, Illinois has a tax that is larger, and yet most of the complaint, Governor Pollard, was coming from Hammond and Gary, on the theory that they would lose all business in Chicago. Our rate is one per cent on gross income; the Illinois rate turned out to be three.

GOVERNOR LESLIE A. MILLER: Was there any complaint from your merchants that live—

GOVERNOR PAUL V. McNUTT: Along the border States?

GOVERNOR LESLIE A. MILLER: Near the other States?

GOVERNOR PAUL V. McNUTT: No.

GOVERNOR LESLIE A. MILLER: Did they argue that it would have a tendency to drive trade over the border?

GOVERNOR PAUL V. McNUTT: They did.

GOVERNOR LESLIE A. MILLER: To the other merchants?

GOVERNOR PAUL V. McNUTT: That is true.

GOVERNOR LESLIE A. MILLER: Has it had that effect?

GOVERNOR PAUL V. McNUTT: It has not. If the tax were made higher—of course, it might have it, although I doubt it; but it is so reasonable that it has not had a tendency to drive the purchasers into the adjoining States. In other words, the fears of the merchants of the border towns were not realized. And the complaint has lessened as the experiment has been tried. I think much the same thing has happened in Mississippi. They were telling me the last time I was in Jackson that they held public meetings on prominent corners, and threatened to lynch the Governor and others of the government, yet one man, who is the owner of one of the largest department stores, who said he had been a leader in the agitation, was highest in his praise of the plan. That was a curious thing.

GOVERNOR JOHN G. POLLARD: How are you going to administer it? Are you going to administer that law from the central government?

GOVERNOR PAUL V. McNUTT: Yes, and we are utilizing as tax collecting agencies, the auto license distributors. We have 235 of them. Here was the agency of the government already set up, and without any additional machinery in the counties or communities—many counties have four or five auto license distributing agencies—instead of utilizing additional machinery, we use that which is already set up; and the only charge which can be made is a maximum notary fee of ten cents per return. We have an exemption of \$1,000 on the gross income tax, in order to help the small wage earner.

GOVERNOR GUY B. PARK: Does your total tax under this plan exceed the tax under the old plan?

GOVERNOR PAUL V. McNUTT: It is less. We had two things in mind: First, to reduce the cost of government; and second, to redistribute the burden.

GOVERNOR WILBUR L. CROSS: And you have got all the intangibles?

GOVERNOR PAUL V. McNUTT: I don't know how long we are going to be able to keep them in our hands.

GOVERNOR WILBUR L. CROSS: You have got all the intangibles.

GOVERNOR PAUL V. McNUTT: But that has been a very interesting experiment, and based on the theory that people would like to be honest if you make it possible for them to be honest.

GOVERNOR JOHN G. WINANT: Under the old tax law, did you tax stocks as well as bonds?

GOVERNOR PAUL V. McNUTT: We had no income tax in any form.

GOVERNOR JOHN G. WINANT: Therefore, it was a property tax?

GOVERNOR PAUL V. McNUTT: It was a property tax. That is the only tax we had, aside from the tax on gasoline.

GOVERNOR JOHN G. WINANT: You have a tax on bonds as well as money?

GOVERNOR PAUL V. McNUTT: Yes, money in the bank.

GOVERNOR JOHN G. WINANT: And when did that go into effect, on the 1st day of April?

GOVERNOR PAUL V. McNUTT: On the 1st day of March.

GOVERNOR JOHN G. WINANT: We have the same thing.

GOVERNOR PAUL V. McNUTT: The result was that between the 1st of January and the 1st of March, banks were losing 20 to 40 per cent of deposits. People eased their conscience by taking the cash out of bank and putting it into a safe deposit box.

GOVERNOR JOHN G. WINANT: Does the State collect an income tax on tangibles?

GOVERNOR PAUL V. McNUTT:

GOVERNOR JOHN G. WINANT: And is that kept by the State?

GOVERNOR PAUL V. McNUTT: No, we send it back to the county.

GOVERNOR JOHN G. WINANT: We do the same. Did you have a stock in trade tax prior to that?

GOVERNOR PAUL V. McNUTT: No, we did not.



GOVERNOR JOHN G. WINANT: Did you figure out the difference, the relative difference of income, you made from the stock in trade tax and your gross income?

GOVERNOR PAUL V. McNUTT: We considered that.

GOVERNOR JOHN G. WINANT: You believe the gross income tax is a much better tax, even though you still have the old stock in trade tax?

GOVERNOR JOHN G. POLLARD: You said a stock in trade tax?

GOVERNOR JOHN G. WINANT: Stock in trade.

GOVERNOR JOHN G. POLLARD: What is that?

GOVERNOR JOHN G. WINANT: It is manufactured goods on hand and in process, and stock in stores.

GOVERNOR PAUL V. McNUTT: Of course, most of us thought the income tax was an income tax until we had this case in the Supreme Court of the man whose income came from Mexico, whose activities were there; and the only thing the United States had was his citizenship, but the Supreme Court held he could be taxed.

GOVERNOR JOHN G. POLLARD: We were watching it with a great deal of interest.

GOVERNOR PAUL V. McNUTT: And I hope prayerfully, Governor Pollard.

GOVERNOR JOHN G. WINANT: And hopefully.

GOVERNOR LESLIE A. MILLER: Governor McNutt, I wonder if I could ask what has been your experience with the law that you have there for the governing of issuance of bonds, municipalities and school districts. You have a central agency, have you?

GOVERNOR PAUL V. McNUTT: Yes, we have a State Tax Board.

GOVERNOR LESLIE A. MILLER: What has been your experience?

GOVERNOR PAUL V. McNUTT: It is in the Department of the Treasury now. It has been very useful in preventing useless expenditures on the part of local units.

GOVERNOR LESLIE A. MILLER: You have considerable control over budget making?

GOVERNOR PAUL V. McNUTT: That is true.

GOVERNOR LESLIE A. MILLER: In the various subdivisions?

GOVERNOR PAUL V. McNUTT: Yes.

GOVERNOR LESLIE A. MILLER: Have you found much protest from those subdivisions over your interference with the budgets?

GOVERNOR PAUL V. McNUTT: No. As a matter of fact, they have sought the assistance of the State in reducing budgets.

GOVERNOR LESLIE A. MILLER: Did your new organization there extend the State control over roads, or do you still have county control of county roads?

GOVERNOR PAUL V. McNUTT: The State controls the State highways only; the county controls the county highway system, though gradually we are taking over the county roads. We are sending back now half of our gasoline tax money to the counties; and whenever or if ever that tax is taken back by the State I have a notion we will take over the county highways as well.

GOVERNOR JOHN G. WINANT: Does the tax on intangibles vary in different communities—the rate?

GOVERNOR PAUL V. McNUTT: No, it does not.

GOVERNOR JOHN G. WINANT: Do you use a flat rate on real property throughout the State?

GOVERNOR PAUL V. McNUTT: No, we fix an arbitrary rate.

GOVERNOR JOHN G. WINANT: You fix an arbitrary rate?

GOVERNOR PAUL V. McNUTT: Fix an arbitrary rate after we fix the valuation; because the answer was, of the five billions of intangibles in the State of Indiana, we had very little, if any, on the tax roll. It is preposterous to think that you had \$3,000,000 in a city the size of Indianapolis, \$3,000,000, when the bank deposits on that day were over a hundred million.

GOVERNOR I. C. BLACKWOOD: The owners of intangibles make the argument that we frequently hear, and that is, it will drive capital out, or it will not invite capital into the State having such a law, though when you have such a reasonable rate, it is negligible almost; and there is nobody encouraged or tempted to evade the

law; and that gets around to the desirability or the necessity to have a uniform law in that respect in all the States. It would be hard if Indiana should have to impose a tax or resort to a tax that was objectionable, and cause any considerable amount of capital to transfer over to another State, if the tax were sufficiently heavy.

GOVERNOR PAUL V. McNUTT: That is true, but even under a high rate, with a 100 per cent assessed valuation, we were not getting anything. It is better to get a small return than no return at all.

GOVERNOR I. C. BLACKWOOD: We tried to meet that difficulty, and we have done pretty much as you have with reference to Indianapolis. There was a time when there was no tax at all; it was tax free, and we are hearing a little complaint about it.

GOVERNOR PAUL V. McNUTT: There are no other questions?

CHAIRMAN THEODORE F. GREEN: May I ask one question: Can the Executive increase or reduce any salary up to the maximum fixed by the Legislature?

GOVERNOR PAUL V. McNUTT: Up to the maximum fixed by the General Assembly, with the exception of constitutional officers, and there are not many of them: The Secretary of State, the Secretary of Audit and Control, the Secretary of Treasury, the Attorney General, the Superintendent of Public Instruction—

CHAIRMAN THEODORE F. GREEN: How many officers does that maximum affect?

GOVERNOR PAUL V. McNUTT: It is fixed for practically all of the State employees.

CHAIRMAN THEODORE F. GREEN: You have a right to direct an officer to go out of existence?

GOVERNOR PAUL V. McNUTT: Yes.

CHAIRMAN THEODORE F. GREEN: And to reduce his salary?

GOVERNOR PAUL V. McNUTT: Yes.

CHAIRMAN THEODORE F. GREEN: But not to increase it above a certain maximum?

GOVERNOR PAUL V. McNUTT: That is true.

CHAIRMAN THEODORE F. GREEN: Is there any other question that anyone would like to ask of Governor McNutt? If not—

GOVERNOR PAUL V. McNUTT: It makes a slave out of the public servant, if you want to know the result.

CHAIRMAN THEODORE F. GREEN: Well, I sort of agree with you.

If our next engagement is six o'clock, and it is now quarter past five, don't you think it is a little late to take up any new topics this afternoon? Shall we adjourn, then, until tomorrow morning.

GOVERNOR FRED B. BALZAR: Mr. Chairman, could I have five minutes of your time?

CHAIRMAN THEODORE F. GREEN: Surely.

GOVERNOR FRED B. BALZAR: I will try to confine my remarks to five minutes.

I was rather startled yesterday by the news appearing in our local papers, and more so today, when I read that the kidnapers are coming westward. Yesterday we were astounded by the news of a young man or a young boy having been kidnapped in the City of San Diego and found dead very close to that point in the swamps. Today we are advised that a young girl had been kidnapped, brutally tortured, her eyes put out, her ears cut off, and whoever perpetrated this heinous crime evidently took advantage of that poor girl before she died.

GOVERNOR LESLIE A. MILLER: Where was this, Governor?

GOVERNOR FRED B. BALZAR: The southern part of this State. We have seen this menace approaching the westward coast over a period of three or four years. We have seen those dark clouds, that menace, on the eastern horizon, as I say, for the past four years; and I think it is proper, that it is fitting, and that it is just, that we Governors at this Conference take cognizance of the fact that there is an organized terrorism comparable, I would say, with the communists in this organized band of kidnapers; and I think it is up to the individual Governors to cooperate, possibly with the Federal Government, to either stem the tide of these kidnapers or do something drastic to stop this organized gang.

We, as Governors, have become mellow in handling our criminal element. We are too prone to listen to the cry of the sob sister, and those who would wrap the safety belt around the criminal. And I want to say for myself that the reason we are so lax in dealing with the criminal today is the fact that our political influence has wrapped itself about the policeman and does not give him the chance, and I don't only say the policeman but the police officer, and does not give him a chance to carry out his sworn duty. And I repeat that these kidnapers are becoming a menace, and I advocate not 50 years for them, but the death penalty. Since I have been Governor, I have put away five of these cold-blooded murderers, and I want to tell you that I have no compunction, I have no regrets, because when my District Court and then my Supreme Court say they are guilty as charged, I say that gas is good enough for them.

I realize that possibly many of you Governors feel that the death penalty is a terrifying thing; but the only way to determine whether or not you favor the death penalty is to bring this home to yourselves. Let your inner conscience dictate your policy. For instance, if someone would come into your household and take your little child, mayhap your daughter or your wife, and take her out and brutally murder her, your first impulse would be, if you could put your hands upon that assassin, would be to deal with him as you would like to; but not being in position to get your hands upon that criminal you would say, "Let the law do its worst." I am a firm believer in capital punishment, and I believe in the old adage, "An eye for an eye, and a tooth for a tooth;" and the only way to do away with murderers today is to let the murderer lay off. So I think just before we go to this supper, that this is a good thought for us Governors to take home and sleep on tonight: That we must organize against this band of kidnapers who are rapidly coming westward, not alone for our own protection, because you men, you men in high position, you men who are supposed to be endowed with wordly goods, are the men and the very men who are the targets of this organized gang. I just bring this to your minds so you may think it over. I think it is time that we should take some concentrated action against these kidnapers.

I thank you.

CHAIRMAN THEODORE F. GREEN: I understand that no action is proposed. It is suggested that we take the matter under consideration.

GOVERNOR FRED B. BALZAR: That was all, Mr. Chairman.

CHAIRMAN THEODORE F. GREEN: For possible future action.

GOVERNOR FRED B. BALZAR: I move now we recess until tomorrow morning.

CHAIRMAN THEODORE F. GREEN: The Secretary has an announcement to make.

SECRETARY CARY AUGUSTUS HARDEE: Before the adjournment, may I call attention to the revised program which the Executive Committee has authorized? We have a very interesting program for tomorrow morning: Governor White of Ohio, and Governor Winant of New Hampshire. Governor White speaks on unemployment insurance and reserve funds. Governor Winant speaks on hours of labor and minimum wages. These are social subjects that I am sure will create a great deal of interest, to be followed with a round table discussion. According to the idea of the Executive Committee, it looks like the program might be concluded in the morning, with those two subjects, so as not to have tomorrow afternoon any business meeting.

And may I read this telegram. That has just come to Governor Rolph, our host.

"Deeply regret that important duties in Oregon have made it impossible for me to participate in the Governors' Conference. Have followed your deliberations with the greatest of interest and pledge my full cooperation in carrying out the policies which may be framed at the meeting. Stop Please convey my greetings to those in attendance. Kindest regards.

"GOVERNOR JULIUS L. MEIER."

CHAIRMAN THEODORE F. GREEN: What time is the meeting set for?

SECRETARY CARY AUGUSTUS HARDEE: At 10 o'clock.

CHAIRMAN THEODORE F. GREEN: The meeting stands adjourned until tomorrow morning at 10 o'clock.

(At the Palace Hotel, July 25, 1933, at the State dinner tendered by Governor Rolph of California to the visiting Governors and their parties, and at which former Governor, Honorable George H. Dern, now Secretary of War, was the honored guest, the following is the address of Governor Dern on that occasion:)

**Address of Honorable George H. Dern,  
Secretary of War**

Banquet, July 25, 1933, Palace Hotel.

**The National Industrial Recovery Act**

Any analysis of the wonderful program of legislation formulated by President Roosevelt and enacted by a patriotic Congress for the relief of our people from the nation-wide depression would clearly establish the accuracy of the statement of the Chief Executive himself that the National Industrial Recovery Act is "one of the most important laws that ever came from Congress."

On this occasion, President Roosevelt said:

"History probably will record the National Industrial Recovery Act as the most important and far-reaching legislation ever enacted by the American Congress. It represents a supreme effort to stabilize for all time the many factors which make for the prosperity of the nation. The law I have just signed was passed to put people back to work—to let them buy more of the products of farm and factories and start our business at a living rate again. This task is in two stages,—first to get many hundreds of thousands of the unemployed back on the payroll by snowfall; and second, to plan for a better future for the longer pull . . . . As in the great crisis of the World War, it puts a whole people to the simple but vital test: Must we go on in many groping, disorganized, separate units to defeat or shall we move as one great team to victory?"

The funds provided by the Industrial Recovery Act will be spend in various ways. The Act specifically allocates \$400,000,000 for road building and \$238,000,000 for construction of new vessels for the Navy. The remainder is to be allocated for other useful projects which will put men to work promptly.

Referring further to this Act, the President said:

"In my inaugural I laid down the simple proposition that nobody is going to starve in this country. It seems to me to be equally plain that no business which depends

for existence on paying less than living wages to its workers has any right to continue to this country. By 'business' I mean the whole of commerce as well as the whole of industry; by workers I mean all workers—the white collar class as well as the men in overalls; and by living wages I mean more than a bare subsistence level—I mean the wages of decent living."

A comparison with the other acts passed by the last session of Congress would not in any way minimize their importance, or the benefits resulting from their operation. This is especially true of the great agricultural relief measure. But the National Recovery Act strikes at the vitals of depression conditions and provides the most effective ways and means for nation-wide recovery.

It is quite generally agreed that the greatest problem of the whole four years of depression has been to put the millions of unemployed back to work at wages that insure a decent and comfortable standard of living and thus increase the purchasing power of the people. Only in this way may they be enabled to absorb their share of the products of our farms, mills and factories at prices that give a profitable return to agricultural and manufacturing industries.

This outstanding act of the Administration's program for national recovery is a new charter of rights and protection to labor. It is a new declaration of independence for business to manage its own affairs under ethical codes which protect it from the evils it has itself created. The Act outlaws unfair and cutthroat competition, promotes social justice between employer and employees and opens up new fields for initiative and efficiency. By and large, it is a guarantee of the right of industry to conduct its operations without the handicap of needless interference and restriction. Under Federal supervision it makes possible and provides for that cooperation among industrial units necessary to produce the best results, but assumes also that such cooperative action will not produce monopoly. Moreover it proposes to see that industrialists play the game according to the regulations they themselves have formulated and which the Government has sanctioned.

To both labor and industry, the National Recovery Act holds out the prospect of ultimate reasonable prosperity with a basis of permanency under new relationships which make for mutual benefit, happiness and security.



In view of the unusual importance of this Act and the wide interest therein, together with the fact that its successful application is largely dependent upon the support and the cooperation of the public, I feel that the people generally should be made acquainted with its main purposes and the manner in which, through the voluntary cooperation of the interests affected, those purposes are to be accomplished.

The main purposes of the Act are three:

The first of these purposes is: To reduce unemployment by providing the opportunity for deserving workers to earn a comfortable living. This entails safeguarding the rights of labor in the matter of hours and wages to insure a decent living standard, thus increasing mass buying power, which is the first essential to national recovery.

The second is: To rehabilitate industry by giving it the opportunity to govern itself under a code which eliminates unfair competition and destructive wage or price cutting.

The third is: A huge public works program for the immediate relief of unemployment, which in turn will supplement the large increase in employment by the various industries, large and small.

These purposes are to be carried out under codes formulated and submitted by the industries and trade associations, which, when approved by the President, become the governing laws for that particular industry. Each industry may submit its own code of fair practices within the trade or industry represented. Reliance is placed upon the voluntary action of industries and trade associations in submitting such codes. The President may make modifications or exemptions whenever necessary to carry out the policy of the law. Attention is also called to the fact that the statute itself imposes no mandatory conditions in respect to the nature of code provisions except those relating to hours of work and wages, as approved or prescribed by the President, and those guaranteeing employees the right to organize and bargain collectively. The new law does not contemplate any unnecessary compulsion. Its intent rather is to place upon business and industry the prime responsibility for economic recovery. It is not intended to substitute government for business, but to enable business to aid itself through voluntary agreement to deal fairly within its own field of activity.

The Government, however, is not without power to compel action if and when it becomes necessary. That is to say, whenever an industry fails to submit a code, a compulsory code may be imposed by the President.

Some of the requirements of the voluntary code are, that it must provide for admitting to membership all who are engaged in that particular industry or trade, so that it may be truly representative in character. Monopolies are not permitted, nor price fixing which allows inordinate profits or unfairly high prices.

Under such a code of business ethics, industry gains freedom from unfair and ruinous competition, which has been one of the causes of industrial depression. Monopoly has been another; over-production has been still another.

Numerous industries have for a long time complained that certain phases of the Anti-Trust law have operated to prevent the successful conduct of their business; that the Anti-Trust law has prohibited certain acts that were necessary to a knowledge and understanding of the affairs of the industry itself. These complaints may have been not altogether unjust.

During the period of the National Recovery law an approved code is exempt from some of the provisions of the Anti-Trust law so long as the code is faithfully adhered to, both in letter and spirit. The exemption is not a general one, but, as stated, is limited to acts in compliance with the code agreement or license. It will therefore be seen that under the Industrial Recovery Act industry will be relieved of many handicaps that have heretofore prevented an intelligent and successful conduct of its affairs.

With reference to labor, the provisions of the Recovery Act give to employees the right to organize and engage in collective bargaining. No employee will be required to join a company union nor will he be prohibited from joining, organizing or assisting labor organizations. These provisions outlaw the so-called "yellow dog" contract which labor has so long and so consistently fought against.

The long crusade of labor in behalf of shorter hours and minimum wage scales gains a substantial victory in the new law. Employers are required to comply with the maximum hours of labor and minimum rates of pay in an approved code. Provision is also made in the Act for codes limited to hours of labor, wages and conditions of employment. Where the employers and em-

ployees are unable to agree upon the terms of these limited codes, the President may, after such hearings as he finds advisable, prescribe a compulsory limited code to be enforced in the same manner as a voluntary limited code.

What is considered one of the most drastic provisions of the Act is the authority given the President to license business enterprises in any given industry whenever he finds that destructive wage or price cutting or other acts contrary to the policy of the recovery legislation are being practised in any trade or industry. But it is also provided that public notice be given and a hearing held before a trade or industry may be subjected to license. A business carried on in violation of the license provision carries a penalty of both fine and imprisonment.

There are many collateral features all tending to promote fair dealing in trade and industry and all designed to give new vitality to them and encourage voluntary and hearty cooperation on their part.

Too much emphasis can not be put upon the statement that the Industrial Recovery Act is not an attempt to regiment all industry under a bureaucratic governmental board. The President himself referred to this Act as a "partnership" between government and industry. Certain of its provisions make the Government an umpire in some instances.

The long persisting stagnation in industry and in all forms of business, together with constantly increasing unemployment, is the only evidence needed to convince any reasonable person that this Act is necessary to national recovery. Before its enactment there were no ways or means by which industry and business generally could be saved from further decline and prostration, and without the revival of industry there was no way by which any great number of the unemployed could again be given work.

While the Act will necessarily be of benefit to the great and larger corporations, it will equally aid the small business man and the worker who, for the first time, will have a voice in industrial government. It should be pointed out, too, that justice will also be done the consumer whose interests are safeguarded through the Executive's supervision of the industrial codes providing for fair competition, thus protecting the consumers of the country from extortion.

I would not wish to draw any general indictment against the leaders of industry and business, but the fact remains that when the great depression came upon the country they were as helpless as any other class in checking the decline. They were as barren of ideas as any class in the country in suggesting practical methods of recovery. Perhaps it is not strange that this should be the case when we recall the history of industry and big business generally in recent years, its high prices and installment sales in times of alleged prosperity; and, when conditions had changed, the unrestrained and destructive character of the competition which ensued. Industry's greatest failure, in my opinion, was lack of leadership. Its leaders gave no evidence that they foresaw the impending changes—almost revolutionary in character—in economic conditions. They proved unable to bring about by their own efforts a system of planned production and operation to meet these changing conditions.

But the people themselves found a leader in the new President of the United States. His leadership has inspired the confidence of all classes of people and has inaugurated and set a new standard for industry and business.

If the plan he has worked out in the National Recovery Act should fail, it will not be a failure of government; it will be a failure of the industrial system. It will mean either that the system is fundamentally unsound or that the present managers of private industry are incapable of operating it successfully. President Roosevelt, in a statement on June 16, said that this new law is "a challenge to industry and to labor." That challenge must be met within the next sixty days. Fortunately, I am able to state that business and industry generally are complying with the purposes of that Act by submitting codes for Presidential approval.

It is with regret that I state there has been some opposition and some criticism of this Act to rehabilitate industry and to restore millions of men to the payroll, and that some are seeking selfish advantage through the act. This will not be tolerated. One criticism is that the Recovery Act is too radical.

Is it too radical to say that women shall not be degraded through extremely low wages, and that children shall not be crippled by excessive work? It is too radical to say that men and women who want to work shall not starve? Is it too radical to say that business shall not profiteer, or that big business shall not oppress

and destroy small business. Is it too radical to say that prosperity cannot be restored as long as the purchasing power of agriculture and of labor has been prostrated, and when business and industry are groping blindly to maintain their existence? Is it radical to try to do away with what are called cycles of depression and to substitute therefor a sane and balanced program of reasonable prosperity with an assurance of permanency? Is it radical to seek to provide employment for every man who is willing to work for a fair wage? I do not think so, and I agree with General Hugh S. Johnson, the Administrator of this Act, that this plan, like a great many other of the President's ideas, is too simple and direct to argue about.

So far as the constitutionality of this Act has been challenged, I want to express myself in harmony with a statement by the Honorable Donald R. Richberg, the general counsel of the National Recovery Administration, that "there is no change of any provision of the Constitution attempted in this law. Therefore, all the time-honored constitutional rights of the individual remain unmodified by it." Furthermore, "there exists no constitutional right to do anything which is forbidden by this law. There is no constitutional right to compete unfairly. . . . If the Constitution protected the rights of a few to profit at the expense of all the people, it would be a charter of anarchy and not a bulwark of law and order."

If anything further is needed to settle the controversy that has been raised concerning a conflict between this Act and the anti-trust laws, I cite the following statement by the Attorney General:

"The National Recovery Act provides, among other things, for codes of fair competition, which, when approved by the President, operate to exempt conduct provided for in the codes from the provisions of the anti-trust act. . . . Before such an exemption can become effective a code must not only have formal approval of the President but in addition . . . such an exemption will apply only to the particular industry concerned and only for the period during which the act and the code thereunder are in effect, and that conduct under a code will be exempt only when it properly complies with the provisions thereof."

Thus it will be seen, as heretofore stated, that exemptions under the anti-trust laws can only be had under a code approved by the President, and when that code is fully complied with.

It should also be recalled, as stated explicitly by the Attorney General, that "a large number of activities and arrangements which are prohibited by the anti-trust laws do not come in any sense whatever within the purview of the exemptions contemplated by the National Recovery Act."

It is important, therefore, that those industries which may not fully cooperate under the provisions of the National Recovery Act should know that they obtain no exemption whatever under the anti-trust laws; that the only way to obtain this exemption is to submit a code which will have the approval of the President, and then to comply with it in every respect.

In the administration of the National Recovery Act, President Franklin D. Roosevelt has called to his aid the most experienced men available as administrators, reinforced by members of his Cabinet, the Chairman of the Federal Trade Commission and the Director of the Budget.

A number of industrial codes have already been submitted and some of them have had the approval of the Chief Executive.

It is confidently expected that the greater number of industries and trade associations will voluntarily submit their codes and thus hasten the work of putting the Act into effect.

The entire program for national recovery suggested by the President and enacted by Congress has been so comprehensive and has inspired such unlimited confidence in the Chief Executive that evidences of a betterment of conditions are seen in many sections of the country and in many lines of industry and business. There has also been a vast increase in employment, in the security market and in the mercantile trade. I think it is fair to assume that many, if not all of these, are the result of the universal confidence reposed in the President and in his general program to lift the country out of the morass of depression. In other words, the business world generally has anticipated the good results to follow the program formulated by the President and enacted into law.

This is hopeful and consoling, but something more is needed. The President's program has been worked out by himself and his aides along the lines of the New Deal, and in full consciousness of the fact that the old order has passed away. Until there has been general compliance with the legislative program of the Adminis-

tration, embodied in the National Recovery Act, there can be no assurance that the signs of recovery are to be permanent. It is therefore necessary that all the conditions in this legislation affecting the various interests they were designed to aid shall be put into effect and complied with to the fullest extent.

I should like to repeat that under the great grant of authority to the President he has the reserve powers to compel obedience to his plans, but if voluntary cooperation is so universally accorded that it will not be necessary to use these reserve powers, the most successful results will be obtained.

There has been complete demonstration that industry has had no plan or power to rehabilitate or to save itself. Industry and business have nothing to gain by resorting in advance to the old and discredited methods, by attempting to ignore the sound and basic remedies provided for in the National Industrial Recovery Act.

The sole hope of revival and ultimate salvation of industry is in the policies adopted under the New Deal. It is too much to expect that every minor detail of the President's vast program will work out exactly as anticipated. But let us not lose our sense of proportion! This fight is to save a nation and a civilization—let us keep this great objective before our eyes and refuse to be discouraged because of minor or isolated reverses. At the very least we can give our unstinted support to this plan with the certainty that it will do much to dispel the chaos that resulted from application of outmoded Nineteenth Century methods to Twentieth Century economic conditions and circumstances.

I therefore bespeak for the President in this great undertaking the willing cooperation of industry and business. With this given we may look forward with confidence to speedy industrial recovery and assure ourselves, that, under the New Deal, we will again become a prosperous, happy and contented people.

State Supreme Court Chambers, State Building  
San Francisco, California.

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Wednesday, July 26th, 1933, 10:00 A. M.

CHAIRMAN GUY B. PARK: We will again be called from refreshment to labor. We are still an hour behind. I am told this morning that I resembled Governor Pollard in appearance, and so there will be no disillusionment, I will not attempt a speech, but will proceed to the business of the morning.

Governor Pinchot is absent; and the Honorable George White, Governor of Ohio, will delight us with an address on "Unemployment Insurance and Reserve Funds."

Governor White.

(Applause.)

GOVERNOR GEORGE WHITE: Mr. Chairman and Governors.

CHAIRMAN GUY B. PARK: Governor White.

GOVERNOR GEORGE WHITE: No Governor who has been confronted with the critical and ever-changing problems of the depression will hazard any positive predictions as to the return of prosperity. But it does look now as if a definite turn toward improvement has begun. The forthright manner in which President Roosevelt has attacked the problems that beset our nation has not only revived confidence in the possibilities of improvement, and in the methods by which recovery is to be attained, it has also stimulated individual and cooperative effort everywhere. We are now justified in the belief that the worst of the depression is over, and that our difficulties in the near future will not be as great as in the immediate past.

But we shall be making a very serious mistake if we assume that business recovery, when it does come, will automatically solve the perplexing problems that now beset us, without effort on our part and without new measures and new policies adopted by the States in harmony with and supplementary to the program of the national government.

The problem of unemployment, for example, will not be solved by the return of prosperity even if we can



be sure that business recovery and prosperity are on the way. If you examine the records of the relief agencies in the leading cities of your States, you will see that during the period from 1923 to 1929 there was a steadily mounting burden of poor relief, which few of us noticed at the time, but which was in the main caused by the unemployment that accompanied the prosperity of those optimistic days. You may remember that in 1927 the public press commented widely on what appeared like a new phenomenon: unemployment, the editors told us, had become a problem of prosperity as well as of depression.

In manufacturing, mining, transportation and agriculture, the number of workers employed declined, although production, value of products, and profits were increasing. The minimum number of unemployed during this prosperous period was about double the minimum amount of unemployment in the decade between 1900 to 1910.

The mounting burden of poor relief during the years prior to 1930 did not appear serious because it was borne largely by private relief agencies, community chests, and the working members of the families of the unemployed. But in the years of the depression the resources of the relief agencies and of the self-supporting families have been exhausted. The burden has been shifted to the shoulders of the taxpayers as more and more people were thrown out of work and their families forced to become dependent on charity. The dole, which most of us were so anxious to avoid, and which was forced upon us by our unpreparedness, will continue to threaten the solvency of our public treasuries in the years of recovery and prosperity, unless we begin at once to adopt constructive measures to stimulate the managements and the workers in our industries to provide against unemployment without saddling the cost on our city, state and federal governments.

I might add that in the City of Cleveland today we are taking care of 40,000 families. I have held the per family cost low, to \$18.50, being criticized now in some of the papers for niggardly program of holding the \$18.50 as against the New York State rate of \$30.00; but I have held, touching this point of dole, that the load per family must be held to the minimum, to minimize at least the temptation to slip into the dole system. In other words, if you give the average family—at least a certain proportion of the people—a too liberal allow-

ance, it would be very difficult to recover them to the workaday world.

Whether recovery comes as the result of a long, slow pull, or whether it comes in a more sudden burst of business activity, there is bound to be in the next few years a larger reserve of unemployed labor than we had prior to the present depression. Even in the peak year of 1929 there were between a million and a half and two million working people unemployed, and with the improvements made during the depression, the overhauling and perfection of machinery, the discovery of new methods, the elimination of waste and improvements in managerial organization, more work will be able to be done with a smaller number of employees.

There is always, and there has always been, in the most prosperous year a reserve of unemployed labor; and all the indications are that this reserve is likely to be larger in the years ahead of us than it has been in the past. The reason for the reserve is not that there are too many working people in the country; all the evidence shows the contrary, the new generations are absorbed and employment has increased faster than population. The reason for the reserve of unemployed labor is that there is no such thing as a steady job. Work is irregular. While the population increases steadily and is always with us, employment grows with fluctuating movements, with ups and downs. Always people are being displaced from their jobs for one reason or another; and they must lose time, must be unemployed, until a new job is secured. This is what accounts for the constant existence of unemployed labor at all times, in prosperity as well as in depression.

It is possible by careful and scientific management on the part of our employers to reduce the fluctuations and thereby to prevent some unemployment. But it is not possible to eliminate all unemployment any more than it is possible to eliminate all industrial accidents. The notion that the problem of unemployment can be solved in the sense that it can be abolished is as sensible as the notion that all sickness can be abolished. Unemployment is not a problem that can be solved in that way. Like sickness and accidents it can be reduced, but it is always with us and the only solution is to have methods of dealing with it when it does occur.

Every year we have seasonal unemployment. Every three or four years we have a minor business depression. Every ten years or so we have a major depression; and every thirty or forty years we have a catastrophe

like the present one. At all times machinery, improved methods and other technological developments are displacing workers, although they may also be creating new jobs in other directions. Industries are dying and new ones take their place. Consumers change their tastes; they buy automobiles instead of clothes, oil and electricity instead of coal, and thousands are thrown out of work in the older industries for whose products new and cheaper substitutes have been developed. This has been the history for about two hundred years, and it is likely to continue to be the same story for many years to come. It is the method of economic progress. We want and need changes, and we can not stop them without stopping progress and growth. Unemployment is only the cost which we have to pay for economic developments.

If this is the situation what then is the remedy? Obviously the attempt to find a solution that will eliminate all fluctuations in employment is a dream. The remedy we must seek is one which will properly and in a self-respecting way take care of the inevitable numbers of the unemployed as they fluctuate from time to time. Unemployment insurance or reserve funds for the unemployed is that kind of a remedy, in my judgment. Business and profits fluctuate exactly as employment does and therefore corporations build up reserve funds to pay interest on their bonds and dividends on stock when earnings are insufficient to make these payments. The advocates of unemployment insurance say that it is possible to build up similar reserve funds for labor, and thus relieve the taxpayer and the charity organizations of the burden of supporting the unemployed and their families, while at the same time these people are relieved of humiliation and disgrace.

When we in Ohio found out this much, I asked the Legislature to authorize the appointment of a commission to study unemployment insurance, and I appointed such a commission, and was fortunate to secure Professor William H. Leiserson as chairman, with members representative of every walk of life. I did not permit business men to dominate the commission, and this brought me some criticism. But I thought it important to appoint social workers, economists and a man of the church as well as representatives of business and labor, so that those who deal with the human effects of industrial operations might contribute some of the knowledge that they have.

This commission studied the subject for a year, and submitted a report recommending the so-called Ohio Plan of Unemployment Insurance as distinguished from the Wisconsin Plan of Unemployment Reserves which was adopted last year, but which has not yet gone into operation. Most of the bills introduced in the Legislatures of the States that had sessions this year provided for reserves, following the Wisconsin model. In two or three States bills modelled on the Ohio plan were introduced after the Ohio Commission's report was published. None of these bills were enacted, although in several States they passed one House.

The purpose of the unemployment reserves provided by the Wisconsin plan and of the insurance fund as proposed in the Ohio plan is the same. They differ only as to method. That purpose is to substitute in the place of charity and the dole a method of providing maintenance for the unemployed without humiliating and degrading them, without disrupting the ordinary charitable activities of private relief agencies and without bankrupting public treasuries. In the words of the Ohio Commission:

"Charity has proved to be inadequate, inappropriate and undesirable as a method of dealing with the distress of able and willing workers who are unemployed through no fault of their own. Private charity funds are soon exhausted in every period of severe unemployment. Need for contributions increases exactly at those times when voluntary contributors have least to give because of reduced incomes. And public charities have given us the dole in its most vicious form—a triple dole,—local, state and federal.

"For those who are normally self-supporting, for those suffering only because of lack of work, it is imperative that some substitute for charity be found which will prevent pauperization and maintain individual self-reliance and self-respect. Charity, public or private, will always be necessary for those who are unemployed because of mental, physical or moral handicaps. But those who are in distress only because industry fails to provide them with opportunities for employment are not properly the subjects of charity, and the policy of compelling them to resort to charity encourages pauperism and undermines independence and self-respect.

"Unemployment insurance seems to be the most effective device for providing in a self-respecting way for the able and willing unemployed. The principle of in-

insurance is widely used in meeting industrial risks of all kinds, and no more effective method has been found or proposed that will provide support for the unemployed and their families and at the same time prevent them from becoming pauperized."

Although both the Wisconsin and the Ohio plan proposes to set up a state insurance fund for protection against unemployment, the former keeps a separate account of the contributions of each employer, and the unemployed worker draws only on the account of his own former employer or employers. Strictly speaking this is not insurance, and the Wisconsin plan is properly referred to as Unemployment Reserves. The Ohio proposal pools all contributions in a single state fund, the employees as well as the employers pay premiums, the risks are spread over all workers and employers, and the fund is to be operated on strictly insurance principles. It is exactly what it purports to be; a system of unemployment insurance.

I might say, the only direct influence I exercised on the Commission was to persuade them to include a contribution on the part of those employed.

Without criticising the plans proposed in other States, which may be better suited to their conditions, I prefer the Ohio plan for three reasons. First, it requires the employees to pay premiums as well as the employers, while under the other plan only the employers contribute. Secondly, the benefits paid to the unemployed are more adequate both because of the pooling of risks and the employees' contributions, thus making more certain that the taxpayer will not have to be burdened with supporting the unemployed. Thirdly, our plan is aimed directly at building up a fund to provide maintenance for families without resort to charity or public relief, while the other aims to penalize the employer for laying off people on the assumption that the payments he makes will cause him to provide steady work. I do not believe that employers like to lay off employees and they are not likely to provide any more employment when they contribute a small amount to a reserve fund than they do without such a fund.

The Ohio Commission recommended that employers with three or more employees shall contribute two per cent of their payrolls to the unemployment insurance fund and the employees should contribute one per cent of their weekly earnings. The fund is to be invested in Government securities and is to be administered by a commission of three members similar to the Workmen's

Compensation Commission. Only those workers who normally contribute for at least twenty-six weeks a year are entitled to draw benefits, thus eliminating the unemployables who will not and can not work. But modification of this requirement that benefits can not be drawn unless 26 weekly premiums have been paid is allowed during times of depression.

When an employee who has thus contributed is out of work, he has a waiting period of three weeks during which he receives no benefits. He is required to register at a public employment bureau so that an effort may be made to help him find other employment and so that a check may be kept on his willingness to accept work. After the three-week waiting period, if he can find no other work, he is entitled to draw from the insurance fund 50 per cent of his normal weekly earnings, but not more than 15 dollars a week, and he may receive this for a maximum period of 16 weeks.

What such a system of unemployment insurance might provide by way of protection against unemployment is made evident by the actuarial calculations on which the plan is based. If such a system of insurance had been established in our State in January 1923, it would have provided adequate maintenance for those who were unemployed during the years between 1923 and 1929, which included the minor depressions of 1924 and 1927, and in addition, it would have accumulated by the end of 1929 a surplus of \$104,000,000 with which to face the first year of the depression.

During the year 1930 it would have paid out to the unemployed about \$69,500,000 in benefits and at the end of the year it would still have had a surplus of \$84,500,000. This together with the current premiums paid in would have enabled the fund to pay to the unemployed in 1931 the sum of \$109,600,000. In the first two years of the depression, therefore, almost \$180,000,000 would have been distributed among the unemployed and this would have been many times the amount paid out in charity. Possibly this substantial increase in purchasing power at the beginning of the depression might have stimulated employment and make the depression in our State less severe. But by the middle of the year 1932 the fund would have been exhausted, although reducing the benefits to a third of normal wages might have carried it through the year.

It is plain that such a fund could not meet all the demands made upon it during a prolonged depression. Neither could our banking institutions, nor our life in-

insurance companies; it was necessary to restrict the withdrawal of funds from both. The government might have to come to the aid of an unemployment insurance fund as it has had to aid banks and other fiduciary institutions. If this need for government assistance condemns unemployment insurance, it also condemns banking, railroading and other forms of insurance.

There is a good deal of misunderstanding about insurance as a method of dealing with distress from unemployment. Insurance is not magic and one can get from it only the protection that is paid for. If a total of three per cent of payrolls is put into an insurance fund this will buy a definite amount of protection and no more. The protection it provides may be inadequate just as the life insurance policies that most working people carry are quite inadequate to provide properly for their families. They can not afford to buy adequate insurance protection, so they buy what they can. Similarly an unemployment insurance fund with premiums of 5 or 6 per cent of payrolls might carry us through a long depression. But if we think we can not afford to pay any more than three per cent, then we can not get as much protection as we may need. Just as it is desirable for an individual to carry as much insurance as he can afford, no matter how inadequate this may be to meet total needs of his dependents, so it is desirable that States shall have as much unemployment insurance as their industries can afford even though the protection would not be completely adequate. Every little bit of insurance is helpful and worth while.

The familiar objection that States adopting unemployment insurance would be handicapped in competing with other States that did not, has come up in this connection. While there may be some force in this objection, investigations in several States have shown that the cost added by unemployment insurance would amount only to between 30 and 40 cents for every \$100 of product, and this would be more than offset by the benefits that the legislation would bring, including the reduction in taxes for poor relief.

I might say in all candor, Governors, that believing as firmly as I do, in unemployment insurance, I said in my message in January that this was not, in this year of business depression, a time to inaugurate the system, but it should be immediately following the revival of business.

I have also, as a result of my studies, become convinced that it more properly lies in the field of the

Federal Government. There is some handicap, of course, as between Indiana and Pennsylvania, or Kentucky, our border States, in leveling the tax on the manufacturers who do interstate business.

We must not forget that somebody pays the cost of unemployment whether we have insurance or not. In the absence of an insurance system landlords pay for it with uncollected rents; grocers, butchers and other tradesmen with uncollected bills; families pay for it when they are evicted from their homes; and the public treasuries pay for the rest that is not cared for by private philanthropy. An insurance system would seem to be less burdensome on the people of a State than all this alternative cost.

I do not regard unemployment insurance as the only remedy for unemployment. We shall have to do much to reduce hours of labor, regulate production, raise wages and increase purchasing power along the lines of the National Industrial Recovery Act now being worked out in Washington. But, as a Royal Commission to investigate the insurance system of Great Britain recently reported:

"An insurance system has an invaluable part to play in making provision for unemployment. It can provide a first line of defense over a large part of the field for the great majority of the unemployed. . . . The insurance scheme should remain the most important provision for unemployment and the most effective protection of the wage-earner's standard of living during unemployment."

Thank you.

(Applause.)

CHAIRMAN GUY B. PARK: Are there any questions of Governor White?

GOVERNOR WILBUR L. CROSS: I understand that this bill has been passed by your Legislature, and it is going to go into effect at some future date?

GOVERNOR GEORGE WHITE: No. It got through the House. I helped it through the House, and it passed in the Senate, too, with amendments, and the night of adjournment got caught in a conference; but I did advocate that it ought to go into effect in 1934.

GOVERNOR WILBUR L. CROSS: Are you having any trouble from the labor organizations in regard to laborers contributing?



GOVERNOR GEORGE WHITE: Well, they favored the Wisconsin plan, but they backed this.

GOVERNOR WILBUR L. CROSS: I find in Connecticut it is the labor organizations that object to the Ohio plan very strenuously.

GOVERNOR FRANK H. COONEY: Governor White, how many States have this kind of insurance now?

GOVERNOR GEORGE WHITE: Wisconsin passed it, to become operative the 1st of July. They passed it, I think, two years ago, or a year and a half ago; and I think they again delayed it until the 1st of January, 1935; but that is the only State that passed the legislation.

GOVERNOR FRANK H. COONEY: Then it is not really in operation in any State at the present time?

GOVERNOR GEORGE WHITE: No, not operating in any State.

GOVERNOR JOHN G. POLLARD: A great many States have commissions studying it at this time?

GOVERNOR GEORGE WHITE: Yes.

GOVERNOR JOHN G. POLLARD: That is true in Virginia.

GOVERNOR JOHN G. WINANT: It is true in New Hampshire, too.

CHAIRMAN GUY B. PARK: Does your plan contemplate all employment, of all classes of employees, where three or more are employed?

GOVERNOR GEORGE WHITE: Yes.

CHAIRMAN GUY B. PARK: Is the payment compulsory?

GOVERNOR GEORGE WHITE: Yes.

CHAIRMAN GUY B. PARK: Any other questions or discussion, Governors, or remarks? If not, we will proceed with the program.

Is it the thought that we consolidate the two sessions of today, and go right on with the afternoon session now, in order to get a little more time to enjoy California? If that is the case—

GOVERNOR I. C. BLACKWOOD: Mr. Chairman, I heard that suggestion made yesterday afternoon; and

if necessary for a motion, I move that we combine the two sections of the program and go right continuously through and complete the work before the lunch hour.

GOVERNOR FRANK H. COONEY: I second the motion.

CHAIRMAN GUY B. PARK: It has been moved and seconded that the morning and afternoon program is to be combined. All in favor of that motion signify by the usual sign.

VOICES: "Aye."

CHAIRMAN GUY B. PARK: Contrary "No."  
(No "no" votes.)

CHAIRMAN GUY B. PARK: The ayes have it.

GOVERNOR FRED B. BALZAR: May I speak for a moment?

CHAIRMAN GUY B. PARK: Governor Balzar.

GOVERNOR FRED B. BALZAR: In line with the thought I expressed last night, I have a resolution here that I would like to present to this most august body.

CHAIRMAN GUY B. PARK: You may present the resolution. Do you want to read it from the floor, or have the Secretary read it?

GOVERNOR FRED B. BALZAR: I will ask the Secretary to read it.

CHAIRMAN GUY B. PARK: You may read the resolution, Mr. Secretary.

SECRETARY CARY AUGUSTUS HARDEE: "Whereas, organized crime has become a national menace, kidnaping, blackmail and robberies run wild, gang leaders have usurped the rule of the law; racketeering has strangled many lines of commerce, taking toll from business and from the produce of farmers and distributors of those products;

"Whereas local and State governments are unable to cope with the assault of organized crime overriding State boarders;

"Whereas organized society must curb organized crime or else organized crime will destroy organized society; now therefore be it

"Resolved, That we, the chief executives of our respective States, in conference assembled, hereby peti-

tion President Franklin Delano Roosevelt to speed the organization of a national police to cooperate with all law enforcement agencies of States and cities in stamping out crime for the peace and security of the American people."

GOVERNOR FRED B. BALZAR: Mr. Chairman, without any extended remarks, I move the adoption of the resolution as read.

CHAIRMAN GUY B. PARK: Do I hear a second?

GOVERNOR I. C. BLACKWOOD: I second the motion.

GOVERNOR WILBUR L. CROSS: Mr. Chairman, I should like to ask one question. The resolution reads: "to speed the organization of a national police to cooperate with all law enforcement agencies. . . ."

I should like to inquire what was meant by the "organization of a national police."

CHAIRMAN GUY B. PARK: Governor Balzar, you have heard the question.

GOVERNOR FRED B. BALZAR: Mr. Chairman, the idea in the proposal of this resolution is that we must have the Federal authorities cooperate with our local authorities. That is the idea of that particular phrase.

GOVERNOR PAUL V. McNUTT: I am afraid "national police" might be misunderstood.

GOVERNOR WILBUR L. CROSS: Do you mean the establishment of a national police system throughout the country? Is that what is meant?

GOVERNOR FRED B. BALZAR: Absolutely.

GOVERNOR JOHN G. POLLARD: Mr. Chairman, I rise to a parliamentary inquiry. I understand that it has been the uniform custom not to pass resolutions in this organization. I have not been connected with it for a very long time, but Governor Hardee, who is now Secretary of the Conference, is well acquainted with this procedure for a period of perhaps ten or twelve years. He informs me that so far as he knows, this Conference has never passed a resolution on policies; that we meet for discussion, and the body does not undertake in any way to control or influence by resolutions the action either of the Federal Government or the State Governments. I therefore question the policy

of departing from this well established custom; and I would like to inquire from the Chair whether, under these circumstances, this resolution is in order.

GOVERNOR FRED B. BALZAR: Mr. Chairman, possibly I am carried away with my thoughts and my ideas this morning; but I retract my first motion; and if the Governors of this Conference do not want to go on record as to how they stand on this, I now move that this resolution be referred to the Committee on Resolutions.

CHAIRMAN GUY B. PARK: I think it is not a question, Governor Balzar, of the non-desire of the members of this Conference to go on record. It is simply a question as to whether it has been customary for them to do things of this sort; but your motion will be entertained.

GOVERNOR FRED B. BALZAR: Thank you.

CHAIRMAN GUY B. PARK: It is moved that the resolution be tabled. All in favor of the resolution—

GOVERNOR JOHN G. POLLARD: No, refer it to the Resolutions Committee.

GOVERNOR FRED B. BALZAR: Mr. Chairman, I object to that resolution being tabled.

CHAIRMAN GUY B. PARK: We have no Committee on Resolutions.

GOVERNOR JOHN G. POLLARD: Yes, we have a Committee on Resolutions.

GOVERNOR FRED B. BALZAR: Absolutely.

GOVERNOR JOHN G. POLLARD: We have a Committee on Resolutions.

GOVERNOR FRED B. BALZAR: Mr. Chairman, I want at this time—

CHAIRMAN GUY B. PARK: I understand that your present Chairman is a member of the Resolutions Committee. It is the first time I knew there was such a committee.

And the motion—

GOVERNOR FRED B. BALZAR: That is O. K. for me.

CHAIRMAN GUY B. PARK: (Continuing)—is to refer the resolution to the Resolutions Committee. All in favor of that will signify by the usual sign.

GOVERNOR THEODORE F. GREEN: May I ask for information, being a new member of this body: What the Resolutions Committee is, and what its powers are, and how it is constituted?

CHAIRMAN GUY B. PARK: You know, you and I became a member of this Conference about the same time, and so I will have to ask the Secretary.

SECRETARY CARY AUGUSTUS HARDEE: May I have a moment to reply?

For a great many years, in fact practically from the organization of the Conference, it was found that if resolutions generally were adopted, that all kinds of embarrassment would ensue; and, therefore, it has grown up practically from the organization of the Conference not to pass resolutions. That seems to be the unwritten law of the Conference. Now, it does seem a kind of an anomaly to have a Resolutions Committee when you are not going to pass resolutions; but the appointment of a Resolutions Committee at each session always takes place for the sole purpose only of drafting the usual formal resolution of thanks to the host Governor and to the people of his State. That is the purpose of the Resolutions Committee generally that has obtained in the past.

CHAIRMAN GUY B. PARK: It probably would be better to content ourselves with entertaining the suggestions of the National Government to the Governors of the several States, rather than to make suggestions of this type to the National Government.

GOVERNOR FRED B. BALZAR: Mr. Chairman, I do not desire this morning to embarrass any of the Governors; and I assure you that if this resolution is at all drastic and does not appeal to the various Governors, why, you know, it goes in the first file, and that is the waste basket.

GOVERNOR WILBUR L. CROSS: Mr. Chairman, I would like to say one thing here. Of course, you see by the newspapers this morning that the Federal government is proceeding with very great vigor. The Attorney General has been organizing during the last few weeks, and he is determined, if possible, to put an end to kidnaping.

CHAIRMAN GUY B. PARK: It happens that the Chairman of the day comes from the home of Jesse James, and we have had several instances of kidnaping in Missouri recently. We have the death penalty for the crime in Missouri. There is a case being tried now in Kansas City, where the daughter of the City Manager of Kansas City was kidnapped, and it is being tried in the State Courts in preference to the Federal Courts, because of the fact that the death penalty might be inflicted. In every case of kidnaping in Missouri and in that section, the kidnapers have been apprehended, and I think in each instance convicted.

GOVERNOR FRANK H. COONEY: Mr. Chairman, I want to go on record as being in favor of the Governor's resolution.

I happen to be the father who had a son kidnapped; and I have, perhaps, strong personal feelings in this matter. When the country goes wet again, these gangs from Chicago will spread out all over the United States, and they will go into the kidnaping game in a big way; and we want all the help we can get to offset this.

My son was kidnapped two years last April, and has been in the sanitarium ever since.

CHAIRMAN GUY B. PARK: You have heard the motion that the resolution be referred to the Committee on Resolutions. All in favor will signify by the usual sign.

VOICES: "Aye."

CHAIRMAN GUY B. PARK: Contrary "No."

(No "no" votes.)

CHAIRMAN GUY B. PARK: The ayes have it, and it is so referred.

It will now be our pleasure to listen to an address by Governor John G. Winant, Governor of New Hampshire, on the subject of "Hours of Labor and Minimum Wage."

Governor Winant.

(Applause.)

GOVERNOR JOHN G. WINANT: Gentlemen of the Conference, the other day I stumbled on a brief paragraph written by John Stuart Mill almost a hundred years ago.

"History shows that great economic and social forces flow like a tide over communities only half conscious of that which is befalling them. Wise statesmen foresee what time is thus bringing, and try to shape institutions and mold men's thoughts and purposes in accordance with the change that is silently coming on.

"The unwise are those who bring nothing constructive to the process, and who greatly imperil the future of mankind, by leaving great questions to be fought out between ignorant change on one hand, and ignorant opposition to change, on the other."

Certainly I believe that at this time and in this day we are in such an epoch; we are in an epoch of change.

It seems to me that we here in America have builded up a great political democracy, and at the same time our economic life has been controlled by autocrat business plan; and that in one way or another we find ourselves in a position where the promise of American life, which was life, liberty and the pursuit of happiness for all the people, has not extended to the ordinary average citizen in America. I think that is plain to us, when we recognize that there has been many an honest worker unable to win a sufficient wage to buy even the barest necessities of life. And some of the hardships that have fallen upon the industrial sections of our country have also been evidenced in the agricultural and more rural sections.

Years ago men began to recognize that hours of labor, minimum wages, child labor, were problems that we had to face nationally if we were to be true to the ideals and principles upon which this Government was builded.

Originally our ideas in regard to hours of work and minimum wages, so far as Government was concerned, were limited to women and children. There was some legislation passed in States affecting men in the so-called poison industries. For the most part, men workers have resorted to private organizations, to unions, in order to improve their conditions of life. These efforts have been sporadic; they have been limited geographically. We have come to recognize that only recently, I think, that that had a very direct influence on all community life. We found, for example, that in States that maintained a high standard, or rather in those States that did maintain a high standard, they were handicapped because in other States there was a disregard for human life, and an opportunity to exploit

men, women and children. And then we found in this depression that even within a State, there were concerns that paid an adequate wage that were in competition with other concerns within the same State that were paying starvation wages; and it was necessary to supplement the low standard wage out of tax funds.

Now, what occurred within particular States was occurring, of course, in competition as between industries of the several States. So as we have become community conscious of some of the resulting problems that have to do with standards of living for the great masses of people, we have begun again to concern ourselves as to the fundamental promise of American life.

I know in my State, I worked for over twenty years for minimum wages, improvement of our child labor laws, reduction of hours of work for women and minors; and in that State, as in most States, we have made very slow progress until quite recently.

It wasn't long ago, perhaps two years ago, I think, I sent a message to the Governors of the textile States. I read it, I think, at our last Conference, and urged action on it. The message read as follows:

"The present limited buying of goods is forcing severe competition that is resulting in drastic wage cuts in industries in which the wage levels, even prior to the present industrial distress, permitted little more than the purchase of the bare necessities in family life. This has not only led to human suffering among employes but also definitely reacts on community life.

"The law in my state requires that persons poor and unable to support themselves shall be relieved and maintained. The Legislature has made this humane action mandatory. The bare cost to the community to supply families with necessities that simply maintain life approaches earning wages in this class of industry. Men and women working part time and even in some instances long hours are little better off than those applying for pauper aid. As the differential between what a working wage earner receives for work done and what an unemployed person is given from tax monies narrows so that employed and unemployed receive alike, the burden on society increases as more and more half-broken people attempt to accept doles rather than to earn wages.

"To do less for the unemployed than to prevent freezing and starvation is impossible in a civilized community. The hope of rectifying this condition is in main-



taining a wage scale which permits a living wage. The government encourages free competition and forbids price control in order to prevent the exploitation of people through fixed prices and under combinations in the restraint of trade. The time has come, however, when certain industries must so organize their business as to eliminate the exploitation of labor as a competitive weapon. This particularly applies to the textile industry."

And then I added this at our conference a year ago:

"May I suggest that the warfare of the jungle does not belong in modern industry? It is not necessary to reject the assumption that self-interest is one of the primary motivating forces in our social order to recognize that a selfish individualism has been allowed to override the collective interest of the people and that it is still a destructive force in the effort to rehabilitate the normal life of the Nation. To curb this and still retain the vigor and vitality essential to economic progress calls for knowledge translated into power which are the essential elements of statesmanship. In building a great school, we have learned that the student must occupy the center of our thought; in maintaining a successful hospital, the patient must be the object of our concern. It seems that in building a great State we had forgotten that human life must be the central ideal of government."

I sent that message, as I say, to all of the Governors of the textile States of the Union, to some fourteen in all; and twelve of them replied favorably. They told me that they were deeply interested in the subject, and that they wanted to do whatever they could in order to bring about cessation of a competitive system that was not only destroying industry, that had wiped out profits, but was also taking life.

I remember that the Governor of New York, who is now President of the United States, was one of the first to give this program his approval; and you, Governor Pollard, who were then serving as President of this Conference, you did all you could to aid and abet this plan. The same thing is true of the Governor of Massachusetts. The Governor of North Carolina said that he would be glad to cooperate; and I did have the quick and effective support of the Governor of Connecticut.

Well, since then, much has happened; and yet I believe in spite of the Industrial Act, which certainly makes possible the hopes of many of us who have been interested in this subject over the years, I still believe

that there is much for the Governors of the States, and for the States themselves to do in order that we might make permanent the advances that are written into the Industrial Recovery Act.

As I understand that piece of legislation, it is an effective force to compel a mean minority to do that which a majority have always been ready to do. The Act will permit the President to withhold a license to do interstate business from any concern that fails to comply with the humane sections set out in that measure; and yet, if I am informed correctly, this feature of the Act is limited to one year. I hope that we will use what influence we have in order to extend the duration and time of that clause, which really makes effective the power and authority delegated to the President, to make the ideals set out there actual and permanent.

There is one other thing that I would like to say before I read this formal paper; and that is that it seems to me in the last quarter of a century our attention has been turned to perfecting the ways and means of doing things. Certainly that is true in industry, with invention, new methods and processes; and because we have been so intent on improved methods we have forgotten the ultimate ideal, the real objective of all advancement, which has to do with the greatest happiness of the greatest numbers.

Now, there is one peril that is coming with reduced hours, and that has to do with the wise use of leisure; and I think it is a problem that at our next session we might properly discuss. If we reduce hours to a minimum, or at least if we materially reduce hours, people will have more leisure. A great English philosopher visited here a year or two ago, and he suggested that here in America, as in England, the opinions of people were formed really during work hours; and that their ideas were largely the result of their thoughts and actions during the work period of the day. Work, of course, is a great character builder. If our leisure hours are far in excess of our work hours, then in the years to come the effect of individual action and national action will be largely dependent upon what we do in leisure hours; and we want recreation to be really a recreating. We want it to build character as well as to give pleasure.

Momentous changes are taking place in industry and government today. Under the National Industrial Recovery Act, far-reaching labor reforms that have been sought for years within the States are being

put into effect throughout the country, almost over night. A new industrial revolution has occurred.

In the first of the fair practice codes adopted under the National Recovery Act—that for the textile industry—there is effected, with the stroke of the pen, abolition of child labor, restriction of hours of labor for men as well as for women to a 40-hour week, and the establishment of a minimum wage for all employees regardless of sex.

This action means putting men and women who have been out of work back into normal employment. It means protection to industry from unfair, cut-throat competition.

I couldn't help but think of what Secretary Dern said yesterday, that in every game there are rules. We recognize that in every game there is that quality which we describe as fair play. As he said, an industry protected under the sovereignty of the people has no right to hit below the belt.

It means to the employees protection from exploitation. We endorse this program and offer our whole-hearted cooperation in making it effective.

In connection with this program, however, we must not overlook the fact that with the States rests the responsibility for making the forward step that has been taken something more than a temporary improvement to meet an emergency situation—an improvement which may come to an end when the period for which the National Recovery measure was enacted is over. With the States rests the responsibility for determining whether this advance that is being made through the national codes shall be the basis for further progress in industrial betterment, or whether there shall be a return to the unregulated conditions in industry that contributed to the depression.

Can we look ahead to the situation that may develop when the Recovery Act comes to an end if action has not been taken by the States to provide for continuing the protection given under that Act to those industrially employed? Shall we permit a return to conditions that may mean excessive hours of labor for some and unemployment for others? Shall we tolerate the possibility of a re-establishment of the sweat shop?

The present time offers a golden opportunity to the States to supplement the protection of the National Recovery Act and to make permanent the gains provided under that measure.

I am glad to be able to tell you that the resolution which was suggested by Governor McNutt, namely, that we supplement Federal action for minimum wages and the approval of the child labor amendment was accomplished in my State during this last session.

The depression has shown us the danger to our economic and social structure that comes from unregulated competition in industry with attendant exploitation of labor. We have had in all the States the tragic sequence of constantly lowered wages, reduced purchasing power on the part of the great mass of the people, increasing unemployment and a mounting burden of public relief and private charity.

We know that the fair employers, who have tried to maintain good working conditions and struggled to keep their factories going and their employees at work, have been seriously handicapped by the competition from parasitic industries. By parasitic industries is meant those with wages so low that they have to be subsidized by other members of the community. The cost of such industries falls not only on the worker who receives starvation wages, but upon the responsible employer whose goods must compete in the same market with the products of the sweat shop, and upon the taxpayer who directly or indirectly makes up the difference between sub-standard wages and the cost of healthful living.

We have had experience with the overproduction and unemployment which has followed unregulated hours of labor. The need for limitation of hours as a means of providing work opportunities for the unemployed is generally accepted. There is, aside from this consideration, the responsibility on the part of the State for protecting the workers—who are economically weakest—specifically women and minors—from long hours of labor that sap their vitality and endanger their health.

It is always interesting to me that Germany, even prior to the war, adopted and maintained a 48-hour work week for women, and also for minors.

Even if your objective has to do simply with the building of an effective fighting force, it is essential that the women of your country be protected in health.

It was agreed at the Eastern Interstate Conference on Labor Legislation, held in Harrisburg in 1931, that a State may well regard fair wage and working conditions for its citizens as an agency of self protection, since

it is only by means of assuring to its working population a modicum of leisure, of income and of security against industrial hazards, that the basis of good citizenship can be established. That principle deserves repeating today.

The depression has brought home to many the truth of this principle. It has convinced many employers of the need for shorter hours and higher wages. It has also demonstrated the need for legislative enactment to control the individual employer who cannot be induced voluntarily to take enlightened action in these matters.

In the matter of wage protection for women and minors, several States have enacted legislation during the present year. In New Hampshire we have enacted a minimum fair wage law, modeled after the measure sponsored by the National Consumers' League. Like that measure, it bases the minimum wage, not on the cost of living, but on a fair return for the services rendered. This is intended to meet the objections of the U. S. Supreme Court to mandatory minimum wage legislation based on living costs.

In enacting the measure the State declared that the payment of unfair and oppressive wages is against the public policy, defining such wage as one that is both less than a fair and reasonable return for the service rendered and less than the minimum cost of living necessary for health.

The Act combines features of the recommendatory Massachusetts law and the mandatory fair wage law of Wisconsin. It provides for wage investigations, the establishment of wage boards and the entrance of wage orders. During the first five months that an order is in effect it is recommendatory, with publication, as in the case of the Massachusetts law, the penalty for non-compliance. At the end of that time it may be made mandatory if such action is necessary to secure general compliance and make the order effective.

Similar action in the passage of fair wage laws has been taken this year by New York, New Jersey, Connecticut, Ohio and Illinois. In addition to this Utah has enacted a mandatory minimum wage law following the provisions of the California statute. Thus seven states, including New Hampshire, which was the first to pass the minimum fair wage law, have, in 1933, enacted minimum wage legislation.

Other legislative action by New Hampshire during this year's session of the Legislature, includes the ratification of the Child Labor Amendment.

The last thing I discuss is the question of regional conferences. It seemed to me that we have a sufficient representation here of Governors of the States to permit of regional conferences in all sections of the United States. About two years ago, Governor Pinchot called a regional conference on these problems in Pennsylvania. That was later followed by a regional conference held in Massachusetts, to which Pennsylvania, New Jersey, New York and all the New England States sent their representatives; and there we worked out what we felt to be a minimum of the social needs for legislation in these several States. Our hope was, and still is, that the Southern States would call similar regional conferences; and that the Middle States, Middle Western States, would call regional conferences, and the Far Western States, the Pacific States also. Then it seemed that after we had held such regional conferences, we might get some representation between the regions; and that in that way might build up support for the Federal Recovery Act. Also we might make possible permanent legislation, both Federal and State, in regard to these things which are for the present only temporary and limited in time to the present emergency. And I think it is also possible to make effective the so-called compact theory under the Constitution, which the States, as you know, are just beginning to recognize as a possible practical means of doing sectionally what we have been forced to either neglect to do or to ask the Federal Government to do.

Thank you for your attention.

(Applause.)

CHAIRMAN GUY B. PARK: Is there any discussion on this very interesting paper? Governor Cross?

GOVERNOR WILBUR L. CROSS: I, Mr. Chairman, have no remarks to make, except with reference to the sweat shops and the other parasitic businesses. In Connecticut, we have passed a minimum wage law. I have consulted our manufacturers' associations in regard to the whole matter. They are in favor, I think, of a permanent minimum wage law, fixing the hours of labor; but there is a feeling that the State of Connecticut ought not to go alone. Personally I hope that the Federal Government will make permanent this legislation which is now temporary. And it seems to me we have

an intimation of that in what the President said last night, that he intends to call a conference of the Governors early in the winter. Connecticut, I am certain, is ready to go forward with State legislation concerning the intrastate industries, and make those regulations the same as those in the textile and other interstate industries; but our manufacturers, first of all, want the Federal legislation.

CHAIRMAN GUY B. PARK: It is your thought that because the goods are shipped from state to state, the Federal law will apply, and that the Federal Government can regulate it?

GOVERNOR WILBUR L. CROSS: That is, so far as inter-state industries are concerned. There are a good many industries, of course, confined wholly to the State. Their products are sold within the State. I think we have to wait until we can see whether this National Recovery Act, or something in its place, is to be made permanent. That is about the way all manufacturers look at it. Is that correct?

GOVERNOR JOHN G. WINANT: I believe it is, Governor Cross. At the same time, I think that the Governors can do a very real service in supporting that Act, and employing public opinion in that direction.

GOVERNOR WILBUR L. CROSS: Yes.

GOVERNOR I. C. BLACKWOOD: Mr. Chairman, that was a splendid paper; and I for one am exceedingly glad to hear it presented at this time. I am from one of the strongest textile manufacturing States in the South. I rather think that North and South Carolina constitute what you might term the nerve center of the textile industry down our way at this time. And it has been a problem that has given us deep concern for a number of years. In the first place, it was difficult to get at by way of State legislation, for the reason that it almost invariably became a sort of a political football, and it was hard for one to advocate the things that should be advocated without being catalogued as a radical or an extremist in his views.

In my State, for the last two preceding terms of the General Assembly, I have urged and recommended legislation regulating hours and elimination of women and children, or the limitation of women and the elimination of minors under certain ages, we will say 18, from textile work entirely. It means a great deal to

that section of the country that this matter be amicably and effectively settled.

I welcome the fact that the Federal Government has taken hold of it, and I believe that the Federal Government is in a position to do a great deal that the States up till this time could not attempt to do.

I hear a great deal in my State about what is known as the "stretch-out system;" that is, the employment of machinery that displaces the necessity for a great many workers—the adoption, for instance, of a machine that would make it possible for five weavers to perform the same work that had been performed by ten at other times. That has been the source of a great deal of irritation on the part of the workers; and up until recently, the managers and proprietors of the cotton mills would complain that that was a regulation that could not be undertaken.

At this time I am gratified to say, or to know, that practically all of the textile proprietors, the managers and owners and operators of cotton mills, have lent their sanction and support to the code that has been suggested, which attempts to deal with this very important feature.

We were about to have what you might regard as a rebellion—at least, a sentimental rebellion, against the textile owners. It was perfectly natural. The operators had enjoyed the benefits of comparatively cheap labor for a number of years. They had made such progress as they have made under conditions of that kind, and under other conditions economically not quite keeping apace with each other. It had resulted in a very great hardship to the workers, the employees. And I believe that the textile code already adopted, perhaps the first one to be adopted—I believe it was—will do a great deal, and I do not attempt to speak for other Southern States whose representatives—that is, whose Governors happen not to be here—but I believe that you are going to find perfect accord; that is, accord to the fullest possible extent; accord commensurate with other conditions that cannot be entirely treated at this time. When the thing reaches that juncture where it is to be dealt with, whatever legislation may be necessary to bring the textile States into conformity with the recovery code, or whatever may be necessary to effect other reforms that ought to be effected, will be made.

GOVERNOR GEORGE WHITE: Mr. Chairman.



CHAIRMAN GUY B. PARK: Governor White.

GOVERNOR GEORGE WHITE: The relationship of the National Recovery Act to the States seems to me a very important problem. As the result of the employers' attitude, I recommended two weeks ago to the Legislature, and they passed a law, giving me all the powers, as Governor, granted to the President by Congress in dealing with intrastate industries. I realize, of course, that in a great many States the Legislature has not been in session, and therefore, it is practically impossible to pass that legislation; but it seems to me that it is very necessary, because there will be serious problems. I am not an attorney, but in discussing the matter with relation to a corporation doing business, interstate business, and competitive with a corporation in the same activities, that only does State business; and I feel it is probably necessary to have legislation in the several States giving the Governors the same power to agree to codes and regulations, as operated by the Federal Government.

CHAIRMAN GUY B. PARK: Probably it would be necessary to have legislation or to wink at the violation of the law.

GOVERNOR GEORGE WHITE: The question will be a legal question arising out of that.

CHAIRMAN GUY B. PARK: Just let the State authorities forget the Constitution for a while.

GOVERNOR JOHN G. POLLARD: Mr. Chairman, if there is nothing further to say on that subject, I would like to say—

CHAIRMAN GUY B. PARK: Governor Pollard.

GOVERNOR JOHN G. POLLARD: I have prepared a short statement on mortgage moratoriums and adjustments, and their relation to guaranteed real estate securities. This statement I desire to read for the record, and to ask its consideration by the Governors here present.

The real estate mortgage debt of the United States is approximately \$43,000,000,000—a sum in excess of all the money credited to the depositors in all the banks of the United States. About eight and a half billions of the total mortgage debt is on farm property. The remaining thirty-four and a half billions is on urban business buildings and homes.

President Roosevelt has spoken of special legislation to ease the mortgage situation as an integral part of the broad plan, to end the forced liquidation of property, to increase the purchasing power, and to protect the credit structure for the benefit of both the producing and consuming element.

The President has likewise urged the cessation of foreclosures with its consequent forced liquidation of property at ruinously low levels. In connection with legislation designed to help the home owner, he has stated the purpose to be to provide for the refinancing of mortgage and other indebtedness so as to accomplish a more equitable readjustment of the principal of the debt, the reduction of interest rates, and temporary adjustment of amortizations.

That these are thoroughly sound principles and vital elements in a national recovery program, no one will deny. There can be no lasting economic recovery if any one group of investors among our citizens demand a fulfillment of obligations made during the peak of boom prosperity without regard to changes in basic real estate values and the obvious decrease in the earning power of these properties. If this were a simple problem as between the mortgagee and the home owner, the adjustment of obligations by reduction of interest in a majority of instances might be accomplished without a great deal of difficulty; but there is a third element involved which complicates and makes more difficult the solution.

During the period from 1921 to 1929, a favorite form of investment was in real estate bonds, based on first mortgages. It is estimated that approximately ten billion dollars of these bonds were sold to over three millions of investors. From four to five billions of dollars of these real estate bonds were guaranteed as to payment of principal and interest. The guarantees have been given by various title and mortgage companies and surety companies. These investors in guaranteed real estate securities numbered hundreds of thousands of individuals, banks, trustees and fraternal organizations, located in every State of the United States. The properties on which these mortgages and bonds are based, are located in virtually every State; and to very large extent are given upon the homes occupied by wage earners and salaried clerks which have been most affected by unemployment.

In a very large part, the rigid legal requirement of these indentures leave no alternative save the fore-

closure of properties when default occurs. The result is increased hardship to home owners and a further injury to bondholders as vacancies in these properties occur. The situation thus arises at a time when every dictate of public interest and justice calls for a readjustment of mortgage debts, a lowering of interest rates, and the extension of maturities. Real estate bondholders must be urged to cooperate in properly sponsored plans to meet the entire situation. Any new understanding or adjustment made through moratoria legislation in the States or through voluntary acts between the mortgagor and mortgagee must be recognized as equitable and just by the bondholders. Concessions which are granted to the home owner must ethically be taken into consideration by the individual or institution owning the bonds based on mortgages which exist on the property. This means that the bondholders must realistically appreciate the situation which now exists in real estate, and must cooperate in the National Recovery program by extending the maturities of their bonds and granting reduction in the interest on these securities. Any other plan of action having as its alternative the ruinous results of foreclosure and forced liquidation of property will seriously jeopardize the financial interest of bondholders and will cause untold hardship among thousands of home owners, and will inevitably retard the cause of national recovery. The extent to which each State may alleviate this particular phase of the real estate problem through special legislation can only be determined after further study. It is certain that at this time, however, that any sponsorship or endorsement which can be given towards general acceptance of voluntary offers of adjustment in the form of maturity extensions and interest reductions on real estate bonds, will go far towards creating a sounder condition in the real estate field, and will serve the best interest of the bondholders and home owners alike, and will make a genuine contribution to the cause of national recovery.

(Applause.)

GOVERNOR PAUL V. McNUTT: Governor Polard, in connection with that, it is true that the solution may be found in voluntary adjustment. I wonder if it is to be found in moratoria legislation. We have had moratoria legislation from the beginning of the written history of the law. We have had difficulty with moratoria legislation for that same period of time. It is unusual to find a piece of moratoria legislation which is

not unfair to one party or another. We are dealing on the one hand with the mortgagor, many of them small home owners or farm owners. We are dealing, on the other hand, with financial institutions whose stability concerns us all, and with insurance companies. It would seem to me that we have a remedy which we have not been using, aside from the matter of voluntary adjustment. If voluntary adjustment is not possible, any court of equity has the power inherently to make a proper adjustment. And curious as it may seem, the first attempt of that is to be found in the City of Chicago, where one of the courts of the first instance there had the courage to refuse to carry out the harsh provisions of the indenture; simply kept the case on the document open; let the mortgagor retain possession, did not appoint a receiver, thus reserving the security for the mortgagee, and giving the mortgagor an opportunity, in the event of recovery, to have his equity in the property. I made this suggestion to the members of the State Bar Association in Indiana at their meeting there three weeks ago, hoping it might be carried back to the courts themselves. I am convinced that the courts have the power; and I wonder if it would not be well for us to urge this upon the members of the Bench and Bar, both being concerned, and to urge it upon them rather forcefully. It is an opportunity for them to prove in a period of great stress that the law is a living thing; that it keeps pace with the changing needs of society. But it is an interesting development that aside from moratoria legislation, we may achieve the same end, and do it fairly, and avoid the dangers, the inevitable dangers in moratoria.

GOVERNOR I. C. BLACKWOOD: Governor McNUTT, may I ask you a question right there? This remedy that lies in the arbitrary power of the equity courts, could it be extended beyond the procedural features? Could it be extended to effect a reduction of the contract?

GENERAL PAUL V. McNUTT: It could not, nor can moratoria legislation effect a reduction of the contract.

GOVERNOR I. C. BLACKWOOD: Well, of course, I thought it could not; but that is what is being sought by this voluntary adjustment.

GOVERNOR PAUL V. McNUTT: Of course, the voluntary adjustment is the better way, but suppose it is impossible to secure voluntary adjustment, then it

does seem to me that the courts of equity can exercise the power which they unquestionably have. Of course, that does not apply to the mortgagor who is wasting the property; to the mortgagor who has no equity now, and will not have an equity even if conditions improved; and there are several of those—it hasn't been a one-sided thing.

GOVERNOR I. C. BLACKWOOD: We have employed the procedural features in our State.

GOVERNOR PAUL V. McNUTT: By statutory enactment or simply by the action of the courts themselves.

GOVERNOR I. C. BLACKWOOD: Just by the action of the courts.

GOVERNOR PAUL V. McNUTT: I am glad to hear that.

GOVERNOR I. C. BLACKWOOD: We have given expression to the general sentiment in one way or another, and the courts have been employing it to a very large extent.

GOVERNOR JOHN G. POLLARD: I have seen from the papers that quite a number of courts of equity, while not claiming to have any power to relieve from the terms of the contract, have simply continued the cases before them.

GOVERNOR PAUL V. McNUTT: That is all.

GOVERNOR JOHN G. POLLARD: With the hope that the parties in interest might get together and readjust their claims. They are using the power to grant continuances to bring it about.

GOVERNOR PAUL V. McNUTT: That is true.

CHAIRMAN GUY B. PARK: You have been reading the Iowa papers.

GOVERNOR PAUL V. McNUTT: But there is one condition, Governor Pollard: The equity courts might employ the conditional decree, with the arduous alternative. I don't know that they have gone that far, but certainly there is relief to be had there if we can get the courts to exercise their power. It is an individual problem, anyway. Each mortgage creates a different set of problems; and any general legislation will not

achieve the thing we are after, namely, justice to all concerned.

CHAIRMAN GUY B. PARK: Is there anything further?

GOVERNOR PAUL V. McNUTT: Mr. Chairman, with the permission of the Chairman and the Conference, at the request of Governor Clyde L. Herring of Iowa, and Governor Albert C. Ritchie of Maryland, I bring to the attention of the Conference a resolution which was passed at a recent meeting of the Eastern Conference of Motor Vehicle Administrators held on June 28, 1933. The resolution was this:

"Whereas, the need exists for a truly representative American organization of Motor Vehicle Administrators and Departments to further the development of uniform motor vehicle regulations and the improvement of traffic and safety conditions on the streets and highways; and

"Whereas, based on the successful experience of the Eastern Conference of Motor Vehicle Administrators which in recent years has been joined by a number of States from other parts of the country, the desirability of such an organization on a comprehensive scale has been given mature consideration:

"Therefore, be it resolved:

"1. That the representatives of State and Provincial Motor Vehicle Authorities in attendance at this meeting agree that an American Conference of Motor Vehicle Administrators be organized.

"2. That a temporary organization be created to consist of a temporary Chairman, temporary Vice-Chairman, temporary Secretary, and a committee of seven members to serve with the temporary officers as an organizing committee to draft tentative by-laws and program for the permanent organization.

"3. That the temporary Chairman be authorized to call a meeting in Chicago in October, 1933, for the purpose of effecting a permanent organization and that all States and Canadian Provinces be notified and invited to participate."

We recognize, of course, that this is not so much a matter for the Committee on Uniform State Laws; it is a matter of coordinating the administration of our various regulatory measures; and, therefore, it would seem a subject worthy of placing on our addenda. This matter is of first importance to all of us. Most of us

have had to depend upon our personal relationship with neighboring States in order to achieve satisfactory solution of the problems arising out of the regulation of motor vehicles. If it is possible for us to have an organization covering all of the States in the Union and the Canadian Provinces, it would seem that much good may come from such an organization. It is not a subject of resolution, but a matter which we may consider as executives in authorizing the members of our motor vehicle departments to attend such a conference, and authorizing the participation of that department in any activity which the Conference may outline.

GOVERNOR WILBUR L. CROSS: I should like to know whether we do not already have such an arrangement.

GOVERNOR PAUL V. McNUTT: This is the point, Governor Cross: There has been for many years this Eastern Conference, but many of the Western States have not participated, and the effort which is being made now is to have a conference which will consist of administrators of all the States of the Union and the Canadian Provinces as well.

GOVERNOR WILBUR L. CROSS: The solution would be for some of the Governors to appoint a commissioner.

GOVERNOR PAUL V. McNUTT: That is a pertinent suggestion.

GOVERNOR WILBUR L. CROSS: I think that is my reply to this resolution, off the record.

(Private, unreported discussion.)

GOVERNOR JOHN G. POLLARD: Mr. Chairman, I now move that we hear the report of the Committee on Resolutions.

CHAIRMAN GUY B. PARK: Governor Cross, are you ready with the report of the Committee on Resolutions.

GOVERNOR WILBUR L. CROSS: Mr. Chairman, there is a resolution that has been referred to the Committee on Resolutions, but we have not had any opportunity to meet.

GOVERNOR JOHN G. POLLARD: But you have one resolution.

GOVERNOR WILBUR L. CROSS: Yes, I have one resolution.

CHAIRMAN GUY B. PARK: You will please present that.

GOVERNOR WILBUR L. CROSS: Mr. Chairman, I have the honor of presenting the following report and resolution from the Committee on Resolutions:

"Upon the invitation of His Excellency, James Rolph, Jr., Governor of California, the Honorable Mayors of Sacramento, San Francisco, and Los Angeles, accompanied by appropriate resolutions of the Legislature of California, the annual Conference of Governors of the several States of the Union convened at Sacramento on July 23, 1933, and continued its deliberations at San Francisco and at Los Angeles throughout the week.

"In every community and upon every hand the Conference was greeted with the utmost cordiality.

"The arrangements made by the various committees appointed by the State, by civic bodies, and by local administrative officers, were admirable in all details.

"The entertainment provided for the members of the Conference and their official parties was typical of the unbounded hospitality of California and of Governor Rolph who has once again proved himself the perfect host.

"It is the unanimous feeling of all who have attended the Conference that it has been eminently successful in its purpose and that it will be enduring in pleasant memories.

"It is therefore resolved that the Conference, by unanimous vote, extend to His Excellency, James Rolph, Jr., Governor of California, and to the Honorable Mayors of Sacramento, San Francisco, and Los Angeles, and through these officials, to the members of all civic bodies and all committees, to the aides, and to the hostesses who so graciously attended to the comfort and happiness of the ladies of the Conference, to the hotel and railroad managements who attended to the housing and transportation of the members of the Conference, and to all the Citizens of the great and progressive State of California, the most sincere and abiding gratitude for a reception so cordial and of so great splendor that it must remain in our memories forever."

(Applause.)

CHAIRMAN GUY B. PARK: Gentlemen, you have heard the reading of the resolution. Any remarks?

GOVERNOR FRED B. BALZAR: Mr. Chairman, I move the resolution be adopted.



GOVERNOR C. BEN ROSS: By a rising vote.

CHAIRMAN GUY B. PARK: It is moved and seconded that the resolution be adopted by a rising vote. You will please stand.

(Resolution adopted by a unanimous rising vote.)

CHAIRMAN GUY B. PARK: Mr. Secretary, the resolution is unanimously adopted.

GOVERNOR WILBUR L. CROSS: I did not know that His Excellency, the Governor of California, was here; and, although we are still to go to Los Angeles, the official deliberations, I suppose, come to an end at this point; and now my last greeting to the Governor of California is *ave atque vale*.

CHAIRMAN GUY B. PARK: Governor Rolph.

GOVERNOR JAMES ROLPH, JR.: Mr. Chairman and my fellow Governors: I did not arrive in time to hear the resolution offered by His Excellency, the Governor of Connecticut. I have been detained on public matters, particularly in connection with the Legislature at Sacramento, which I understand will adjourn at four o'clock this afternoon. I saw your cars congregating in the entrance of this building, and I thought it was about time for me to come upstairs to find out what your plans were; whether you were leaving for luncheon, adjourning for this afternoon, or what your present program was. I came into your Conference while the Governor of Connecticut was reading some very complimentary phrases referring to the welcome to you by my fellow citizens and other cities of the State, and the contemplated trip to Los Angeles; but the words that I heard indicated to me that some very wonderful expressions of kindly feeling toward my fellow citizens were contained in that resolution. Permit me to thank you for whatever that resolution contains, because I know it is along complimentary lines, and an expression of your views of your welcome here and your treatment in California; but before I reply to the words of *au revoir*, farewell until we meet again, from the Governor of Connecticut, and your acquiescence therein, permit me to say that in all my experience in public office, I have never enjoyed a conference or a meeting with men such as I have enjoyed in the meeting with you, my fellow Governors of the States of United States. If you carry back happy memories of your visit here, permit me to say that you leave with me

undying memories of this happy occasion. I know how you all feel to be the Governor of your respective States. I know you throw your chest out wherever you move, to know that you are the honored citizen of your commonwealth. Just imagine how I have felt to have invited you here, and to have had you come here, and to have had you bring the good will of all of your States to my native State and my native City. I never was prouder in my life than to have had you here and show you off and introduce you to my fellow citizens; and I am sure that the feeling of San Francisco is expressed by the smiles, the crowds, the throngs on the streets as you pass; the entrance to the Supreme Court chambers, the welcome in the City Hall, the meeting at Sacramento, the capitol city of the State, and the smiles and the flowers and everything that we have has been yours, and you have left a memory here that will be one of the bright spots of the history of this State, of which I have the honor to be the Governor.

I thank you for the coming. I shall continue with you until I bid you *au revoir* at the State line going out, or I will try to keep you just as long as I can keep you here, because my fellow citizens are happy in the fact that the Governors of the States of the United States did honor to my native City and to my native State. I thank you for the coming. I bid you *au revoir*, and I hope the memories of these days of pleasant associations here will linger as happily with you as I assure you they will live happily with me as long as time and memory last.

*Au revoir* and good-bye and good luck, my dear Governors, as you wend your way from my State to your respective States throughout the United States.

(Applause.)

GOVERNOR WILBUR L. CROSS: Thank you, Governor Rolph.

GOVERNOR JAMES ROLPH, JR.: That's real New England talk, how's that, and that's no bologna.

CHAIRMAN GUY B. PARK: Is there any further business of the Conference?

GOVERNOR I. C. BLACKWOOD: Mr. Chairman, I think that the resolution that was offered by Governor Balzar is a matter of significance and grave importance. I had the pleasure of seconding the motion before Governor Pollard impressed me that it was in all probability

out of line with our usual procedure, not to attempt to invade the domain of legislation, or to influence legislation by way of resolution, and that we were not here assembled for the purpose of creating opinions and prejudices generally; but I hesitate, or rather, I would think that we would be unfortunate if it should appear by any sort of publicity that that resolution was offered and that we manifested a spirit of indifference towards it. While we cannot pass what may be termed strictly a resolution, I would be glad if we could give such expression as we may with propriety give to the contents of his resolution. I am sure, I just feel sure that there is not a Governor here who is not heartily in accord with the sentiments expressed in that resolution. I say that apprehending that the Committee on Resolutions, whoever they happen to be, would be almost driven to the conclusion that Governor Pollard is correct in his analysis of the situation, and I think that we might place ourselves upon record, not as a matter of resolution, but merely as a matter of declaration, that we are heartily in accord with the vigorous prosecution that is being employed by the Government, and that it is our wish and hope it may be pursued to the uttermost limits.

GOVERNOR GEORGE WHITE: I second the motion.

CHAIRMAN GUY B. PARK: It has been moved and seconded that we are heartily—will you repeat that motion. I didn't catch your exact motion. That you are heartily in accord with the efforts of the Federal Government—

GOVERNOR I. C. BLACKWOOD: That we merely express our sympathy with the efforts to suppress this and kindred crimes. That is not a resolution, but it is merely an expression by the Governors, among the Governors, and by it we do not go on record as attempting to influence legislation by any of the States, or even by the Government.

CHAIRMAN GUY B. PARK: You have heard the motion, and it has been seconded. Is there any discussion?

GOVERNOR WILBUR L. CROSS: Mr. Chairman, might it be regarded as a report from the Committee on Resolutions?

CHAIRMAN GUY B. PARK: It is not a report.

GOVERNOR WILBUR L. CROSS: It is not a report? You would not regard it as a report?

CHAIRMAN GUY B. PARK: No, it is not a report. It is a report made by a member on the floor.

GOVERNOR WILBUR L. CROSS: That resolution was referred to the Committee on Resolutions, and the Committee on Resolutions has not had an opportunity to meet.

CHAIRMAN GUY B. PARK: Your point is well taken. The motion is out of order, because the identical question has been referred to the Committee on Resolutions, and until that Committee reports, I cannot entertain your motion.

GOVERNOR THEODORE F. GREEN: May I ask a question: Who constitutes this Committee on Resolutions?

CHAIRMAN GUY B. PARK: I understand your present Chairman is one of the members. I discovered that in the beginning of this meeting. I don't know who the other members are.

GOVERNOR PAUL V. McNUTT: The Committee is Cross, Miller and Park.

SECRETARY CARY AUGUSTUS HARDEE: The Committee is composed of Governor Cross, Governor Miller and Governor Park.

GOVERNOR I. C. BLACKWOOD: I think we should leave it to the wise discretion of the Committee.

GOVERNOR WILBUR L. CROSS: If there is no objection on the part of the other members of the Committee, we will regard this as a report of that Committee. Is that correct?

CHAIRMAN GUY B. PARK: Any objection, Governor Miller?

GOVERNOR LESLIE A. MILLER: No objection.

GOVERNOR FRED B. BALZAR: Mr. Chairman.

CHAIRMAN GUY B. PARK: Governor Balzar.

GOVERNOR FRED B. BALZAR: Possibly the resolution which I introduced this morning is a little bit drastic for the Governors, and possibly the last "therefore" could be modified. This resolution is prepared

after very much thought and deliberation; but I realize that you are about to recess for the noon hour, and I don't want to go to any length on this subject matter, but whatever the Committee on Resolutions desires to do will meet with my approval. I realize that I have possibly gone far afield in the last "therefore," so whatever the Committee on Resolutions desires to do, as I said, will meet with my approval.

GOVERNOR WILBUR L. CROSS: The Committee on Resolutions is ready to accept the motion as made by Governor Balzar.

CHAIRMAN GUY B. PARK: You have heard the report of the Committee on Resolutions. All in favor of adopting that report will signify by the usual sign.

VOICES: "Aye."

CHAIRMAN GUY B. PARK: Carried. So ordered.

GOVERNOR JOHN G. POLLARD: Mr. Chairman, I move we now go into executive session for the purpose of electing an Executive Committee for the coming year.

GOVERNOR C. BEN ROSS: I second the motion.

CHAIRMAN GUY B. PARK: You have heard the motion, and it has been seconded. All those in favor will signify by saying "Aye."

VOICES: "Aye."

CHAIRMAN GUY B. PARK: Carried. It is so ordered.

### Executive Session of Governors' Conference

CHAIRMAN JOHN G. POLLARD: The executive session will come to order. Gentlemen of the Conference, it is customary just before the adjournment at each Annual Conference to go into executive session for the purpose of electing members of the Executive Committee for the ensuing year. The members of the Committee at this time are Governor White, Governor Winant, Governor Conner, Governor Rolph and myself. When the Conference meets next year I shall not be Governor of Virginia, and, therefore, could not serve on the Executive Committee, the position with which the Conference has honored me for a number of years.

Nominations for the Executive Committee are now in order.

GOVERNOR LESLIE A. MILLER: I would like to inquire by what authority do you say that you will not be Governor of Virginia next year?

CHAIRMAN JOHN G. POLLARD: The Constitution of Virginia does not permit me to be.

GOVERNOR FRED B. BALZAR: Mr. President, do I understand that we have a voice in the appointing of the executive Committee?

CHAIRMAN JOHN G. POLLARD: Absolutely.

GOVERNOR FRED B. BALZAR: Thank you.

CHAIRMAN JOHN G. POLLARD: The Executive Committee is elected by the Conference, and the terms of all the members are out. There are five members to be elected, but the Governor of Virginia will not be eligible for re-election, for the reason that his term of office expires.

GOVERNOR FRED B. BALZAR: Then, Mr. Chairman, you are now President of the Executive Committee, as I understand.

CHAIRMAN JOHN G. POLLARD: Chairman.

GOVERNOR FRED B. BALZAR: Chairman. Well, I am going to make a motion, Mr. Chairman, at this time that Governor James Rolph, Jr., of California, be made Chairman of the Executive Committee for the ensuing term.

CHAIRMAN JOHN G. POLLARD: The Chairman of the Executive Committee is elected by the Committee itself.

GOVERNOR FRED B. BALZAR: Well, then, the motion is out of order. Pardon me.

CHAIRMAN JOHN G. POLLARD: The question now is the selection of the Executive Committee, and that is for the Conference.

GOVERNOR GUY B. PARK: May I ask this question for the information of the other members: How many members of the Executive Committee are there now whose terms do not expire?

CHAIRMAN JOHN G. POLLARD: The terms of none of them expire, except the Governor of Virginia. Governor White will be in next year. Isn't that correct, Governor White?

GOVERNOR GEORGE WHITE: Yes.

GOVERNOR GUY B. PARK: I move that the present members, excepting the Chairman, be re-elected as members of the Executive Committee.

GOVERNOR THEODORE F. GREEN: May I add the amendment that Governor Rolph be added to take the place of Governor Pollard?

CHAIRMAN JOHN G. POLLARD: He is already on the Committee.

GOVERNOR C. BEN ROSS: Let us put on Governor McNutt. He lives in Indiana, and we only need one new member.

CHAIRMAN JOHN G. POLLARD: We will first dispose of the motion of Governor Park. All in favor of the re-election of the four members who are eligible for re-election will say "Aye." Governor Winant, Governor White, Governor Rolph and Governor Conner of Mississippi. All in favor of the re-election of these four will say "Aye."

VOICES: "Aye."

CHAIRMAN JOHN G. POLLARD: All opposed "No."

(No "no" votes cast.)

CHAIRMAN JOHN G. POLLARD: They are elected. Now, there is one other position on the Committee to be filled. Nominations for that vacancy are in order.

GOVERNOR C. BEN ROSS: I desire to place the name of Governor McNutt of Indiana in nomination.

CHAIRMAN JOHN G. POLLARD: Governor McNutt.

GOVERNOR FRED B. BALZAR: I second the nomination, and move the nominations be closed.

CHAIRMAN JOHN G. POLLARD: Any other nominations? If not, all in favor of Governor McNutt as a member of the Executive Committee will say "Aye."

VOICES: "Aye."

CHAIRMAN JOHN G. POLLARD: All opposed "No."

(No "no" votes cast.)

CHAIRMAN JOHN G. POLLARD: Governor McNutt is elected.

GOVERNOR PAUL V. McNUTT: Thank you, gentlemen.

CHAIRMAN JOHN G. POLLARD: Now, it is customary, gentlemen, before the Governors leave each other on these delightful trips, for the Executive Committee to meet and elect its Chairman; and it is also customary for the Executive Committee to receive invitations from States for the next meeting, so that I would ask Governor Rolph—you will be at Los Angeles, will you not? You will go on that trip?

GOVERNOR JAMES ROLPH, JR.: Yes.

CHAIRMAN JOHN G. POLLARD: May I take the liberty of asking you to call together the Executive Committee for the purpose of electing a Chairman to receive invitations from any State that may desire to extend an invitation for the next year? Is there any objection to that course? And, Governor Rolph, you will call the meeting; call the Committee together?

GOVERNOR JAMES ROLPH, JR.: Yes.

CHAIRMAN JOHN G. POLLARD: Sometime during the trip before we part?

GOVERNOR JAMES ROLPH, JR.: I certainly will.

CHAIRMAN JOHN G. POLLARD: And elect your Chairman, and receive the invitations.

SECRETARY CARY AUGUSTUS HARDEE: Mr. Chairman, may I make this suggestion to Governor Rolph, that we might have that meeting immediately



after luncheon, while they are all there at the hotel; and there is some other little business to attend to, and then we will be through with all the business.

GOVERNOR JAMES ROLPH, JR.: Might I ask, do we return here this afternoon?

CHAIRMAN JOHN G. POLLARD: No, we do not.

GOVERNOR GUY B. PARK: You might ask us to return here next year.

GOVERNOR JAMES ROLPH, JR.: I am ready to do that; I am ready to do that, certainly, with the greatest of pleasure. If you will come back here next year, I invite you right now.

CHAIRMAN JOHN G. POLLARD: Is that agreeable to the members of the Executive Committee, then? We will meet immediately after lunch today at the Palace Hotel. Now, all of us are going to the Palace Hotel. The two functions to which we have been invited are combined, and they have been waiting there for the last fifteen minutes for us.

GOVERNOR JAMES ROLPH, JR.: Governor Pollard, might I call your attention to the fact that only two members of the Executive Committee are here. We haven't a quorum.

CHAIRMAN JOHN G. POLLARD: Yes, there are three. My term has not yet ended. We will have four, —Governor White, Governor Winant, you and myself. I am a member of the Committee, you see, until my term expires.

I now declare the executive session of the Governors' Conference closed.

**MEETING OF EXECUTIVE COMMITTEE.**

The newly elected Executive Committee met in Executive session on the afternoon of 26th of July, 1933; present Governor James Rolph of California, Governor George White of Ohio, Governor John G. Winant of New Hampshire and Governor Paul V. McNutt of Indiana.

On motion Governor James Rolph of California was elected Chairman of the Executive Committee. Governor Stanley C. Wilson of Vermont, the present Treasurer, was re-elected. Former Governor Cary A. Hardee, the present Secretary of the Conference, was re-elected, with salary and compensation same as preceding year.

The question of selection of meeting place for next year was deferred until further meeting of the Executive Committee to be held at a later date.

**TREASURER'S REPORT****STANLEY C. WILSON, Treasurer****In Account with Governors' Conference**

<b>1932</b>		<b>Cr.</b>
August	11. Cary A. Hardee, Secretary Semi-annual salary and expenses -----	\$1,311.20
	19. Eugene McCarron, flowers, per bill -----	26.27
	19. Master Reporting Company -----	143.78
	31. U. S. Daily Publishing Corp. -----	318.50
Sept.	21. F. Ray Keyser, Agent, bond -----	12.50
Oct.	1. Cary A. Hardee, Secretary, quarterly salary and expenses -----	603.80
	1. Geo. D. Barnard Stationery Co. -----	26.70
Dec.	30. Cary A. Hardee, Secretary, quarterly salary and expenses -----	603.00
<b>1933</b>		
March	11. Geo. D. Barnard Stationery Co. -----	41.35
April	14. Revenue tax on checks to date -----	0.16
	28. Cary A. Hardee, Secretary, quarterly salary and expenses -----	693.90
	15. Revenue tax on check, March -----	0.02
June	3. Hartford Savings Bank & Trust Co. Exchange on Ala. check ----- \$0.25	
	Exchange on Fla. check ----- 0.25	0.50
	16. Hartford Savings Bank & Trust Co. Exchange on N. Carolina ck. ----- 0.25	
	Exchange on Wyoming check ----- 0.25	
	Exchange on S. Carolina ck. ----- 0.25	0.75
	24. Hartford Savings Bank & Trust Co. Exchange on Mississippi ck. ----- 0.25	0.25
	28. Cary A. Hardee, Secretary, quarterly salary and expenses -----	601.00
	29. Hartford Savings Bank & Trust Co. Collection of Alaska check -----	0.25
	10. Revenue tax for May -----	0.02
Total expenditures -----		\$4,383.95

**STANLEY C. WILSON, Treasurer****In Account with Governors' Conference.**

<b>1932.</b>		<b>Dr.</b>
June	18. Remittance Cary A. Hardee, Secretary Mississippi dues ----- \$100.00	
	South Carolina dues ----- 100.00	\$200.00
June	25. H. G. Leslie, former Treasurer, balance of account -----	6,954.45
July	26. Hartford Savings Bank & Trust Co., interest -----	6.35
Aug.	26. Hartford Savings Bank & Trust Co., interest -----	11.18
Sept.	14. Remittance Gaylor S. Morton, Secretary to Gov. Leslie, Oklahoma 1932 dues and interest -----	113.66
Sept.	28. Hartford Savings Bank & Trust Co., interest -----	9.58
Oct.	28. Hartford Savings Bank & Trust Co., interest -----	8.61

## 124 GOVERNORS' CONFERENCE PROCEEDINGS, 1933

Nov.	30.	Hartford Savings Bank & Trust Co., interest -----	8.37
Dec.	29.	Hartford Savings Bank & Trust Co., interest -----	8.00
<b>1933</b>			
Jan.	26.	Hartford Savings Bank & Trust Co., interest -----	7.85
Feb.	28.	Hartford Savings Bank & Trust Co., interest -----	7.37
Apr.	14.	Remittance Cary A. Hardee, Secretary, Arizona dues -----	100.00
May	24.	Remittance Cary A. Hardee, Secretary, Alabama dues ----- \$100.00 Delaware dues ----- 100.00 Florida dues ----- 100.00 Connecticut dues ----- 100.00 Georgia dues ----- 100.00 Alaska dues ----- 100.00 Vermont dues ----- 100.00	700.00
June	13.	Remittance Cary A. Hardee, Secretary, So. Carolina dues ----- \$100.00 No. Carolina dues ----- 100.00 Wyoming dues ----- 100.00 Rhode Island dues ----- 100.00 Maryland dues ----- 100.00 Ohio dues ----- 100.00 Massachusetts dues ----- 100.00 Pennsylvania dues ----- 100.00 Mississippi dues ----- 100.00 Louisiana dues ----- 100.00 Missouri dues ----- 100.00 Michigan dues ----- 100.00	1,200.00
July	12.	Remittance Cary A. Hardee, Secretary, Minnesota dues ----- \$100.00 New York dues ----- 100.00 New Jersey dues ----- 100.00 Kansas dues ----- 100.00 Iowa dues ----- 100.00 Illinois dues ----- 100.00 Idaho dues ----- 100.00 California dues ----- 100.00	800.00
<b>TOTAL RECEIPTS</b> -----			<b>\$10,135.42</b>
<b>SUMMARY</b>			
Total receipts -----			<b>\$10,135.42</b>
Total expenditures -----			<b>4,383.95</b>
Balance on Hand -----			<b>\$ 5,751.47</b>
Amount in Hartford Savings Bank & Trust Company checking account -----			<b>\$5,751.47</b>

**NOTE:**

The \$800.00 deposit referred to in this letter from the Hartford Savings Bank and Trust Company represents uncollected items. The checks making up this \$800.00 deposit appear in the Treasurer's Account under date of July 12.

**HARTFORD SAVINGS BANK & TRUST COMPANY.**

White River Junction, Vt.  
July 13, 1933.

Governor Stanley C. Wilson,  
State House,  
Montpelier, Vermont.  
Dear Governor:

This is to certify that the balance on deposit in the Hartford Savings Bank and Trust Company, White River Junction, Vermont, at the close of business July 12, 1933, to the credit of Governors' Conference, Stanley C. Wilson, Treasurer, was \$4,951.47. There was received a deposit to be credited to the above account on this date, amounting to \$800.00 which does not show in the above balance.

Very truly yours,  
I. J. DAVIS,  
Treasurer.

A True Account,  
Stanley C. Wilson,  
Treasurer.

State of Vermont,  
Washington County.

Subscribed and sworn to at Montpelier, this 13th day of July, A. D. 1933, before me.

VIVIAN A. LANG,  
Notary Public.

Examined and approved:  
Fred B. Balzar,  
Chairman.  
C. Ben Ross,  
Theodore F. Green,  
Auditing Committee.

## SOCIAL ENTERTAINMENT

The Convention of the Governors' Conference held this year in California will long be remembered by those who were fortunate enough to attend. We met at an unusual time. Many of the Governors were faced with problems in their respective States which prevented their attendance. We are in a period of recovery from the depressing years through which we have passed. The various activities undertaken by the National Government and by the States as well, was responsible for the failure of many Governors to attend the Conference. However, we had a most excellent meeting, even though the attendance was not as large as usual. The discussion of very live practical subjects were indeed helpful and the social entertainment provided by our host, Governor James Rolph, Jr., was unusually attractive.

The members of the Conference, their wives and parties accompanying them, were guests of the State of California and of the people of California from the time they arrived at the State line until the conclusion of the session at Los Angeles. The entertainment provided was replete with the hospitality for which the great State of California is noted. His Excellency, Hon. James Rolph, Jr., Governor of California, was a most gracious and hospitable host. He endeared himself to all with his genial personality and his very gracious manner. The Conference by proper resolution has acknowledged the hospitality of Governor Rolph, and his people, and the members of the Conference will think always of this session as one of the outstanding events in the history of the Conference.

The Governors' Train on which most of them travelled to California was met at the State line, given the signal honor of nineteen guns salute. We stopped on Sunday morning preceding the opening of the Conference on Monday at beautiful Lake Tahoe in central California. It is one of the veritable beauty spots of that great State. Following appropriate exercises at Truckee we were carried by automobile to the City of Sacramento, the Capitol of the State, and there on Sunday night were the guests of the City at a dinner tendered at Hotel Senator, and were likewise following the dinner, guests of Governor and Mrs. Rolph at an informal reception at the Executive Mansion.

The opening session was held in the Chamber of House of Representatives at Sacramento, with the unusual spectacle of all the members of the Legislature,

then in session, as guests and spectators. No more delightful spot could be found than the City of Sacramento, which entertained us while there.

We were provided with special train by the Southern Pacific Railroad on Monday afternoon at 3:00 o'clock to San Francisco for the remainder of the business sessions, provided by military escort to the Palace Hotel, our home while in San Francisco. The programs in Memorial Opera House and in Memorial Veterans Building were indeed attractive and worthwhile. We were favored on this trip with the presence of former Governor of Utah, George H. Dern, now Secretary of War in the Cabinet of President Franklin D. Roosevelt. We were likewise favored during the whole time with the presence of the inimitable Will Rogers, whose quaint philosophy and wholesome humor were the delight of every occasion.

The business sessions of the Conference opened Tuesday morning, the 25th, in the Supreme Court Chambers at San Francisco and at 1:00 o'clock following adjournment of the business session, the Conference was the guests of the San Francisco Chamber of Commerce at luncheon. On the night of Tuesday, the 25th, we were the guests of the City of San Francisco at formal dinner at the Palace Hotel, at which we were favored with an address by the President of the United States by radio.

The business sessions of the Conference were concluded at 1:00 o'clock on Wednesday, the 26th, following which special train took the Governors and their parties to Yosemite National Park.

We left San Francisco with many delightful memories of its people, whose hospitality and cordial good will were expressed by word and deed on every occasion. It is a great city, splendid in natural resources and filled with people of indomitable courage and initiative. No more delightful city could be found than San Francisco, the Golden Gate City of the West.

In this short narrative no attempt will be made to describe the wonders of Yosemite National Park. We feel that the National Government is doing a great work in preserving for all of the people and for all time, these wonderful places, made wonderful by the hand of nature, as National Parks. Good roads traverse it, scenery as beautiful as could be found on earth and the big redwood trees are really wonders of nature. It is said, and perhaps truly, that some of them are the oldest

living things on earth. They were standing in Yosemite no doubt long before Christ came on earth.

Leaving Yosemite Valley by special train of the Southern Pacific Railroad on the evening of Thursday, the 27th, we went as the guests of Governor Rolph, and his people, to that wonder City of southern California, Los Angeles. We were favored with luncheon at Hollywood Studios of Metro-Goldwyn-Mayer, Culver City. Perhaps no institution in the history of our country yields so much influence as the motion picture industry. Most of the very famous principals in this industry, both actors, actresses and producers were present at the luncheon and delighted the Governors, and their parties, with a most enjoyable program. During the afternoon we visited the Fox Studios and that evening at the Ambassador Hotel we were favored with formal dinner by the City of Los Angeles. Of special note was the program following the dinner provided by Grauman's Chinese Treatre at Hollywood.

Saturday was spent, the 29th, by motor tour visiting the United States Navy fleet, Long Beach and Pasadena. A most delightful luncheon was served and many of the various attractive places of Los Angeles and its environ were visited by us.

Los Angeles is indeed the wonder City of our country. It is new. Not so many years ago it was but a small village, but the wonderful climate of California and the matchless resources of that great section, have attracted people from every State of the Union and they have built there, and are continuing to build, in a rapid way, one of the greatest cities of earth.

We returned to our respective homes after what was voted as one of the most delightful sessions in the history of the Conference since it was organized back in 1908.









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